MONTANA LEGISLATIVE HISTORY

Chapter 537 19 97

Bill H 434 S _____ Original bill & history ✓ C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	Feb 14	✓ C	Hearing Date(s)	Mar 20	✓ C
	Feb 18	✓ C		Apr 10	✓ C
		C			C
		C			C
Date Out		C			

Did this bill originate in an interim committee? ____Yes ____No

Committee _____ Report _____

1997 LEGISLATIVE HISTORY

The 1997 Montana Legislature has dramatically changed the nature of the legislative minutes. Specifically, the minutes from House committees are extremely sparse in content, offering no substantive information from which to glean legislative intent. The Senate committees' minutes are somewhat fuller in content. Exhibits available from the State Law Library (which may include written statements, attendant information, roll call votes, roll call attendance, a list of public members present, specific action taken on legislative bills, etc.) are included with this request. For information on other exhibits, contact the Montana Historical Society Archives at 444-4774. Exhibits may also be purchased on a CD-ROM from the Montana Legislative Council (444-3064).

Just as in the 1995 legislative session, the House and Senate hearings were recorded. The Historical Society is the depository for the tapes. For information on accessing the tapes, call the archives at 444-4774.

If you have concerns over the format of the 1997 legislative minutes, it is suggested that you contact your state legislators.

HB 432 INTRODUCED BY KOTTEL *LC1189 DRAFTER: MCCLURE*

AUTHORIZE THE DISSEMINATION OF CRIMINAL HISTORY RECORD INFORMATION RELATING TO AN APPLICANT FOR EMPLOYMENT OR APPOINTMENT TO A VOLUNTEER POSITION AT A LONG-TERM CARE FACILITY TO THE CHIEF ADMINISTRATOR OF THE FACILITY IF THE ADMINISTRATOR PROVIDES THE APPLICANT'S FINGERPRINTS TO THE DEPARTMENT OF JUSTICE OR OTHER CRIMINAL JUSTICE AGENCY

2/03 INTRODUCED
2/03 FIRST READING
2/03 REFERRED TO JUDICIARY
2/06 FISCAL NOTE REQUESTED
2/11 FISCAL NOTE RECEIVED
2/12 FISCAL NOTE PRINTED
2/13 HEARING
2/13 TABLED IN COMMITTEE
2/27 MISSED DEADLINE FOR 45TH DAY TRANSMITTAL
DIED IN COMMITTEE

HB 433 INTRODUCED BY WALTERS, ET AL. *LC0339 DRAFTER: MCCLURE*

PROVIDE AN INDIVIDUAL TAX CREDIT FOR QUALIFYING ELEMENTARY AND SECONDARY EDUCATION EXPENSES BY AN INDIVIDUAL FOR A DEPENDENT MINOR BY PROVIDING A 100 PERCENT CREDIT FOR QUALIFYING EDUCATION EXPENSES FOR THE FIRST CHILD, A 70 PERCENT CREDIT FOR QUALIFYING EDUCATION EXPENSES FOR THE SECOND CHILD, AND A 50 PERCENT CREDIT FOR QUALIFYING EDUCATION EXPENSES FOR THE THIRD AND ANY SUBSEQUENT CHILD

2/03 INTRODUCED
2/03 FIRST READING
2/03 REFERRED TO TAXATION
2/03 FISCAL NOTE REQUESTED (EXTENSION GIVEN FOR COMPLETION)
2/14 HEARING
2/14 FISCAL NOTE RECEIVED
2/14 FISCAL NOTE PRINTED
2/18 TABLED IN COMMITTEE
3/11 TABLED IN COMMITTEE
3/11 REVISED FISCAL NOTE REQUESTED
3/13 REVISED FISCAL NOTE RECEIVED
3/13 REVISED FISCAL NOTE PRINTED
3/15 COMMITTEE REPORT—BILL PASSED
3/22 2ND READING DO PASS AS AMENDED MOTION FAILED 42 58

HB 434 INTRODUCED BY HIBBARD, ET AL. *LC0546 DRAFTER: HEIMAN*

PROVIDE A TAX CREDIT FOR PLANNED GIFTS BY INDIVIDUALS AND OTHER GIFTS BY CORPORATIONS AND ESTATES MADE TO QUALIFIED CHARITABLE ENDOWMENT FUNDS

2/04 INTRODUCED
2/04 FIRST READING
2/04 REFERRED TO TAXATION
2/04 FISCAL NOTE REQUESTED
2/11 FISCAL NOTE RECEIVED
2/12 FISCAL NOTE PRINTED
2/14 HEARING
2/18 COMMITTEE REPORT—BILL PASSED AS AMENDED
3/06 2ND READING PASSED 75 25
3/10 3RD READING PASSED 78 22

	TRANSMITTED TO SENATE		
3/11	FIRST READING		
3/11	REFERRED TO TAXATION		
3/20	HEARING		
4/10	COMMITTEE REPORT—BILL CONCURRED		
4/15	2ND READING CONCURRED	40	9
4/16	3RD READING CONCURRED	44	6
	RETURNED TO HOUSE		
4/24	SIGNED BY SPEAKER		
4/24	SIGNED BY PRESIDENT		
4/25	TRANSMITTED TO GOVERNOR		
5/05	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 537		
	EFFECTIVE DATE: 05/05/97		

HB 435 INTRODUCED BY HARPER *LC1063 DRAFTER: STERNBERG*

REQUIRE THAT, ABSENT A CONFLICTING LOCAL ORDINANCE, CERTAIN INFORMATION BE PROVIDED BY PET SHOPS, HUMANE SOCIETIES, AND PUBLICLY OPERATED ANIMAL SHELTERS AND POUNDS WHEN MAKING A CAT OR DOG AVAILABLE FOR SALE OR ADOPTION

2/04	INTRODUCED		
2/04	FIRST READING		
2/04	REFERRED TO BUSINESS & LABOR		
2/11	HEARING		
2/14	COMMITTEE REPORT—BILL PASSED AS AMENDED		
2/17	2ND READING PASSED	61	38
2/18	3RD READING PASSED	68	31
	TRANSMITTED TO SENATE		
2/19	FIRST READING		
2/19	REFERRED TO BUSINESS & INDUSTRY		
3/14	HEARING		
3/21	COMMITTEE REPORT—BILL CONCURRED AS AMENDED		
3/26	2ND READING CONCUR MOTION FAILED	23	26
3/27	RECONSIDERED PREVIOUS ACTION	28	22
4/04	2ND READING CONCURRED AS AMENDED	31	19
4/07	3RD READING CONCURRED	29	21
	RETURNED TO HOUSE WITH AMENDMENTS		
4/12	2ND READING AMENDMENTS CONCURRED	82	12
4/14	3RD READING CONCURRED AS AMENDED	73	25
4/19	SIGNED BY SPEAKER		
4/24	SIGNED BY PRESIDENT		
4/25	TRANSMITTED TO GOVERNOR		
4/29	SIGNED BY GOVERNOR		
	CHAPTER NUMBER 426		
	EFFECTIVE DATE: 10/01/97		

HB 436 INTRODUCED BY DOWELL, ET AL. *LC1200 DRAFTER: MCCLURE*

PROVIDE FOR PAID JURY DUTY LEAVE FOR SCHOOLTEACHERS

2/04	INTRODUCED		
2/04	FIRST READING		
2/04	REFERRED TO EDUCATION & CULTURAL RESOURCES		
2/04	FISCAL NOTE REQUESTED		
2/06	FISCAL NOTE RECEIVED		
2/06	FISCAL NOTE PRINTED		
2/07	HEARING		
2/17	COMMITTEE REPORT—BILL PASSED		
2/18	2ND READING DO PASS MOTION FAILED	46	54

House BILL NO. 434

INTRODUCED BY

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A TAX CREDIT FOR PLANNED GIFTS BY INDIVIDUALS AND OTHER GIFTS BY CORPORATIONS AND ESTATES MADE TO QUALIFIED CHARITABLE ENDOWMENT FUNDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

WHEREAS, charitable endowments are permanent savings accounts, the income from which is perpetually committed to charitable purposes; and

WHEREAS, Montana-based charitable endowments can grow over time to become significant resources capable of funding many unanticipated and unmet needs of, and creating new opportunities for, Montana's citizens and their communities; and

WHEREAS, Montana's relatively weak tradition of endowed philanthropy can be demonstrated by comparing our state with the other 49 states, in that Montana ranks 44th in population and 41st in per capita income, but ranks 48th in foundation assets and 49th in foundation giving; and

WHEREAS, a planned gift is a type of charitable contribution that has the following three characteristics: first, it is composed typically of assets saved over the contributor's lifetime; second, it is conferred in connection with a carefully considered estate plan; and third, it transfers assets of the contributor to a charity prior to the contributor's death; and

WHEREAS, although planned gifts would appear to offer genuine financial potential for creating and expanding charitable endowments in Montana, in reality, planned gifts are so infrequently contributed in Montana that endowments in our state are not growing as fast as they are in other states; and

WHEREAS, planned gifts might be used more in funding charitable endowments in Montana if contributors could offset a significant portion of their gifts against their Montana income tax liabilities; and

WHEREAS, over the long term, income distributed from endowments can help achieve community goals and objectives when current funding from state and local government budgets may be limited; and

WHEREAS, local charitable endowments currently exist in almost every Montana community, and the existence of these widespread endowments offers everyone in Montana an opportunity to contribute endowed funding for their local communities; and

HB 434
INTRODUCED BILL

WHEREAS, community-based endowments in Montana have long-term potential to benefit all Montana communities by developing creative solutions to help individual communities meet growing needs and by helping these communities find transitions to self-sufficiency; and

WHEREAS, earnings from charitable endowments in Montana are distributed by volunteer boards of diverse community leaders to meet emerging community needs in such areas as education, arts and culture, social services, economic development, and health and the environment; and

WHEREAS, government cannot meet, nor should it be expected to meet, all of the needs of the state's communities because of its limited financial resources and because each community is in a better position to determine its own existing and future needs and opportunities; and

WHEREAS, tax credits provide financial incentives that encourage contributions for the establishment or expansion of charitable endowments in Montana; and

WHEREAS, the Legislature limits the tax credit created by [this act] to qualified permanent endowments held by tax-exempt organizations or by banks or trust companies on behalf of tax-exempt organizations; and

WHEREAS, for the purpose of renewing the tax credit created by [this act], it is the intent of the 55th Legislature that the state's cost of administering the tax credit may not exceed 5% of the total annual credits claimed.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Qualified endowments credit -- definitions.** For the purposes of [section 2], the following definitions apply:

(1) "Planned gift" means an irrevocable contribution to a permanent endowment held by a tax-exempt organization or, for a tax-exempt organization, when the contribution uses any of the following techniques that are authorized under the Internal Revenue Code:

(a) charitable remainder unitrusts, as defined by 26 U.S.C. 664;

(b) charitable remainder annuity trusts, as defined by 26 U.S.C. 664;

(c) pooled income fund trusts, as defined by 26 U.S.C. 642(c)(5);

(d) charitable lead unitrusts, qualifying under 26 U.S.C. 170(f)(2)(B);

(e) charitable lead annuity trusts, qualifying under 26 U.S.C. 170(f)(2)(B);

6

(f) charitable gift annuities, undertaken pursuant to 26 U.S.C. 1011(b);

(g) deferred charitable gift annuities, undertaken pursuant to 26 U.S.C. 1011(b);

(h) charitable life estate agreements, qualifying under 26 U.S.C. 170(f)(3)(B);

(i) paid-up life insurance policies, meeting the requirements of 26 U.S.C. 170.

(2) "Qualified endowment" means a permanent, irrevocable fund that is held by an organization that:

(a) (i) is a tax-exempt organization under 26 U.S.C. 501(c)(3); or

(ii) is a bank or trust company, as defined in Title 32, chapter 1, part 1, that is holding the fund on behalf of a tax-exempt organization; and

(b) manages the principal, revenue, and disbursements of the endowment in a manner that guards against erosion by meeting the prudent investor rule.

NEW SECTION. **Section 2. Credit for contributions to qualified endowment.** (1) A taxpayer is allowed a tax credit against the taxes imposed by 15-30-103 or 15-31-101 in an amount equal to 50% of the present value of the aggregate amount of the gift portion of a planned gift made by the taxpayer during the year to any qualified endowment fund. The maximum credit that be claimed by a taxpayer for contributions made from all sources in a year is $10,000. The credit allowed under this section may not exceed the taxpayer's income tax liability.

(2) The credit allowed under this section may not be claimed by an individual taxpayer if the taxpayer has included the contribution as a deduction under 15-30-121(1) or 15-30-136(2).

(3) There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

NEW SECTION. **Section 3. Credit for contribution by corporations to qualified endowment.** A corporation is allowed a credit against the taxes otherwise due under 15-31-101 for charitable contributions made to a qualified endowment, as defined in [section 1]. The credit must be in accordance with the provisions of [section 2]. The maximum credit that may be claimed by a corporation for contributions made from all sources in a year under this section is $10,000. The credit allowed under this section may not exceed the corporate taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is

made.

NEW SECTION. **Section 4. Small business corporation, partnership, and limited liability company credit for contribution to qualified endowment.** A contribution to a qualified endowment, as defined in [section 1], by a small business corporation, as defined in 15-31-201, a partnership, or a limited liability company, as defined in 35-8-102, qualifies for the credit provided in [section 2]. The credit must be attributed to shareholders, partners, or members or managers of a limited liability company in the same proportion used to report the corporation's, partnership's, or limited liability company's income or loss for Montana income tax purposes. The maximum credit that a shareholder of a small business corporation, a partner of a partnership, or a member or manager of a limited liability company may claim in a year is $10,000, subject to the limitations in [section 2]. The credit allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

NEW SECTION. **Section 5. Beneficiaries of estates -- credit for contribution to qualified endowment.** A contribution to a general endowment fund of a qualified endowment, as defined in [section 1], by an estate qualifies for the credit provided in [section 2]. Any credit not used by the estate may be attributed to each beneficiary of the estate in the same proportion used to report the beneficiary's income from the estate for Montana income tax purposes. The maximum amount of credit that a beneficiary may claim is $10,000, subject to the limitation in [section 2], and the credit must be claimed in the year in which the contribution is made. The credit may not be carried forward or carried back.

NEW SECTION. **Section 6. Report on income tax credit to committee.** The department shall report to the revenue oversight committee at least once each year the number and type of taxpayers claiming the credit under [section 2], the total amount of the credit claimed, and the department's cost associated with administering the credit.

NEW SECTION. **Section 7. Codification instruction.** (1) [Sections 1, 2, and 5] are intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [sections 1, 2, and 5].

(2) [Sections 3 and 4] are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [sections 3 and 4].

(3) [Section 6] is intended to be codified as an integral part of Title 15, chapter 1, part 2, and the provisions of Title 15, chapter 1, part 2, apply to [section 6].

NEW SECTION. **Section 8. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

NEW SECTION. **Section 9. Termination.** [This act] terminates December 31, 2001.

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0434, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:
An act providing a tax credit for planned gifts by individuals and other gifts by corporations and estates made to qualified charitable endowment funds; and providing an immediate effective date, a retroactive applicability date, and a termination date.

ASSUMPTIONS:

1. The bill applies to planned gifts and other gifts by corporations and estates given after December 31, 1996.
2. The maximum credit for any planned gift is $10,000 per taxpayer; a married couple filing separate returns would be allowed a combined maximum credit of $20,000.
3. The credit provided for in the bill cannot be claimed if the taxpayer has claimed the contribution as an itemized deduction.
4. The credit amount associated with small business corporations, partnerships, or limited liability companies is limited to $10,000 for each shareholder, partner, or member or manager, based on the individual's liability, not on the entity's liability.
5. The tax credit cannot exceed the taxpayer's income tax liability; the credit may not be carried forward or backward, but must be used, to the extent possible, in the year claimed.
6. Administrative expenses would include one-time computer programming expenses for adding a new line to income tax forms and ongoing record storage costs. These programming costs would equal $1,600 for the Corporate Tax Division and $14,418 for the Income Tax Division. The ongoing record storage costs would be $254 per year for the Income Tax Division.

FISCAL IMPACT:

	FY98	FY99
Expenditures: (General Fund)		
Corporate License Tax	$ 1,600	
Individual Income Tax		
Programming Costs	$ 14,418	
Record Storage Costs	$ 254	$ 254
Total	$ 16,272	$ 254

Revenues: (General Fund)

It is very difficult to determine the revenue impact of this proposal. The revenue impact will depend on the number of planned gifts and other gifts by corporations and estates made each year.

Based on information provided by the State of Michigan, where this credit has been in place for several years, the Department of Revenue estimates that this credit will reduce tax revenue by approximately $200,000 annually, with this amount shared 75% in individual income tax revenues and 25% in corporation license tax revenues.

Dave Lewis 2-10-97
DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

2-12-97
CHASE HIBBARD, PRIMARY SPONSOR DATE

Fiscal Note for HB0434, as introduced
HB 434

HOUSE TAXATION

BILL NO	REFERRED	HEARING	OTHER CONSIDERATION DATES	EXECUTIVE ACTION/DATE/VOTE	REREFERRED	DATE READ
HB0393	BOHARSKI, WILLIAM 1/29	2/06	MAJORITY OF QUALIFIED ELECTORS TO APPROVE BOND ISSUES AND VOTED LEVIES	TABLED ON 03/14 VOTE: 15-4		
HB0403	SWANSON, EMILY 1/30	2/05	FULL INCOME TAX DEDUCTION FOR MEDICAL INSURANCE PREMIUMS	TABLED ON 03/05 VOTE: 17-0		
HB0417	ELLINGSON, JON 2/01	2/06	ALLOW FULL DEDUCTION FOR CHILD CARE SERVICES	TABLED ON 03/21 VOTE: 11-9		
HB0424	JORE, RICK 2/01	2/07	REPEAL OF INHERITANCE, ESTATE, AND GENERATION-SKIPPING TRANSFER TAXES 2/7	TABLED ON 03/11 VOTE: 12-8		
HB0433	WALTERS, ALLEN 2/03	2/14	INDIVIDUAL INCOME TAX CREDIT FOR QUALIFYING EDUCATION EXPENSES 2/18, 3/11	DO PASS 3/14 VOTE: 11-9		3/15
HB0434	HIBBARD, CHASE 2/04	2/14	TAX CREDIT FOR PLANNED GIFTS BY INDIVIDUALS, CORPORATIONS AND ESTATES	PASS AS AMENDED 2/18 VOTE: 12-8		2/18
HB0438	KOTTEL, DEB 2/04	2/11	DEFERRAL OF INCREASED PROPERTY TAXES FOR CERTAIN PERSONS OVER 65	TABLED ON 03/04 VOTE: 17-3		
HB0441	BANKHEAD, PAUL 2/04	2/10	PROVIDE THAT ELECTRONIC RECORDING IS TAX APPEAL PROCEEDING RECORD	PASS AS AMENDED 2/10 VOTE: 17-0		2/11
HB0443	SWANSON, EMILY 2/05	3/07	$50,000 RESIDENTIAL HOMESTEAD EXEMPTION	TABLED ON 03/14 VOTE: 13-7		
HB0446	PAVLOVICH, BOB 2/05	2/11	INCREASE INSURANCE TAX AMOUNT USED TO FUND VOLUNTEER FIREMEN PENSIONS	TABLED ON 02/17 VOTE: 15-5		
HB0451	SIMPKINS, DICK 2/05	3/20	TAX CREDIT FOR FEDERAL RETIREES WHO FAILED TO TIMELY FILE FOR TAX REFUND	TABLED ON 03/21 VOTE: 13-7		
HB0455	KRENZLER, BILLIE 2/05	2/12	EXEMPT FIRST $25,000 MARKET VALUE OF AG. EQUIP., FURNITURE AND FIX., ETC.	TABLED ON 03/07 VOTE: 17-2		

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Vice Chairman Bob Story, on February 14, 1997, at 8:00 a.m., in Room 437.

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Robert R. Story, Jr., Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. Paul Bankhead (R)
Rep. John C. Bohlinger (R)
Rep. Bill Carey (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. Marian W. Hanson (R)
Rep. Hal Harper (D)
Rep. Dan W. Harrington (D)
Rep. Rick Jore (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Richard D. Simpkins (R)
Rep. Emily Swanson (D)
Rep. Lila V. Taylor (R)
Rep. Jack Wells (R)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Services Division
Donna Grace, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 434 (2/5)
HB 433 (2/6)
HB 471 (2/6)

Executive Action: None

HEARING ON HB 434

Opening Statement by Sponsor:

Rep. Chase Hibbard, House District 54, opened the hearing on HB 434, to establish a tax credit for planned gifts by individuals, corporations and estates. **EXHIBIT 1.** *{Tape: 1; Side: A; Approx. Time Count: 2.0.}*

Proponents' Testimony:

Steve Browning, Governor's Task Force on Endowed Philanthropy. **EXHIBIT 2.** *{Tape: 1; Side: A; Approx. Time Count: 10.9.}*

Sue Talbot, Member of Governor's Task Force. *{Tape: 1; Side: A; Approx. Time Count: 16.1.}*

Mick Robinson, representing Governor Racicot. **EXHIBIT 3.** *{Tape: 1; Side: A; Approx. Time Count: 17.0.}*

Russ Ritter, Washington Foundation and Member, Governor's Task Force. *{Tape: 1; Side: A; Approx. Time Count: 21.2.}*

Rep. Alvin Ellis, House District 23, representing the Boys and Girls Club of Red Lodge. *{Tape: 1; Side: A; Approx. Time Count: 23.6.}*

Keith Colbo, Deaconess Foundation. **EXHIBIT 4.** *{Tape: 1; Side: A; Approx. Time Count: 26.9.}*

Jim Soft, Yellowstone Foundation and Member, Governor's Task Force. *{Tape: 1; Side: A; Approx. Time Count: 28.0.}*

Sherry Burns, Member, Governor's Task Force. *{Tape: 1; Side: A; Approx. Time Count: 36.0.}*

Alan Kahn, Member, Governor's Task Force. *{Tape: 1; Side: A; Approx. Time Count: 36.0.}*

Sidney Armstrong, Montana Community Foundation. **EXHIBIT 5.** *{Tape: 1; Side: A; Approx. Time Count: 39.4.}*

Joy McGrath, Montana Shares. *{Tape: 1; Side: A; Approx. Time Count: 43.5.}*

Ralph Yeager, Orion Corporation. *{Tape: 1; Side: B; Approx. Time Count: 0.1.}*

Greg Groepper, Energy Share. *{Tape: 1; Side: B; Approx. Time Count: 1.0.}*

Clark Pyfer, Advisor to the Governor's Task Force. *{Tape: 1; Side: B; Approx. Time Count: 3.1.}*

Peter Sullivan, Western Montana Catholic Foundation. *{Tape: 1; Side: B; Approx. Time Count: 5.8.}*

Sharon Hoff, Executive Director, Montana Catholic Conference. *{Tape: 1; Side: B; Approx. Time Count: 7.0.}*

Tom Harrison, Montana Association of CPA's. *{Tape: 1; Side: B; Approx. Time Count: 8.0.}*

Opponents' Testimony:

None.

Informational Testimony:

None.

Questions From Committee Members and Responses:

{Tape: 1; Side: B; Approx. Time Count: 9.0.}

Closing by Sponsor:

Rep. Hibbard closed the hearing. *{Tape: 1; Side: B; Approx. Time Count: 24.7.}*

HEARING ON HB 433

Opening Statement by Sponsor:

Rep. Allan Walters, House District 60, opened the hearing on a bill that would provide a tax credit for educational expense. *{Tape: 1; Side: B; Approx. Time Count: 31.9.}*

Proponents' Testimony:

Rep. Bill Boharski, House District 79. **EXHIBIT 6.** *{Tape: 1; Side: B; Approx. Time Count: 34.4; Comments: Rep. Boharski's testimony is continued on Tape 2 A.}*

Joe Balyeat, Montanans for Better Government. **EXHIBIT 7.** *{Tape: 2; Side: A; Approx. Time Count: 6.0.}*

Laurie Koutnik, Montana Christian Coalition. *{Tape: 2; Side: A; Approx. Time Count: 17.5.}*

Verdell Jackson, retired educator. **EXHIBIT 8.** *{Tape: 2; Side: A; Approx. Time Count: 25.3.}*

Joanne Shearer, parent. *{Tape: 2; Side: A; Approx. Time Count: 39.0.}*

Meaghan Wilson, Freshman Class, Rocky Mountain Christian High School. *{Tape: 2; Side: A; Approx. Time Count: 42.5.}*

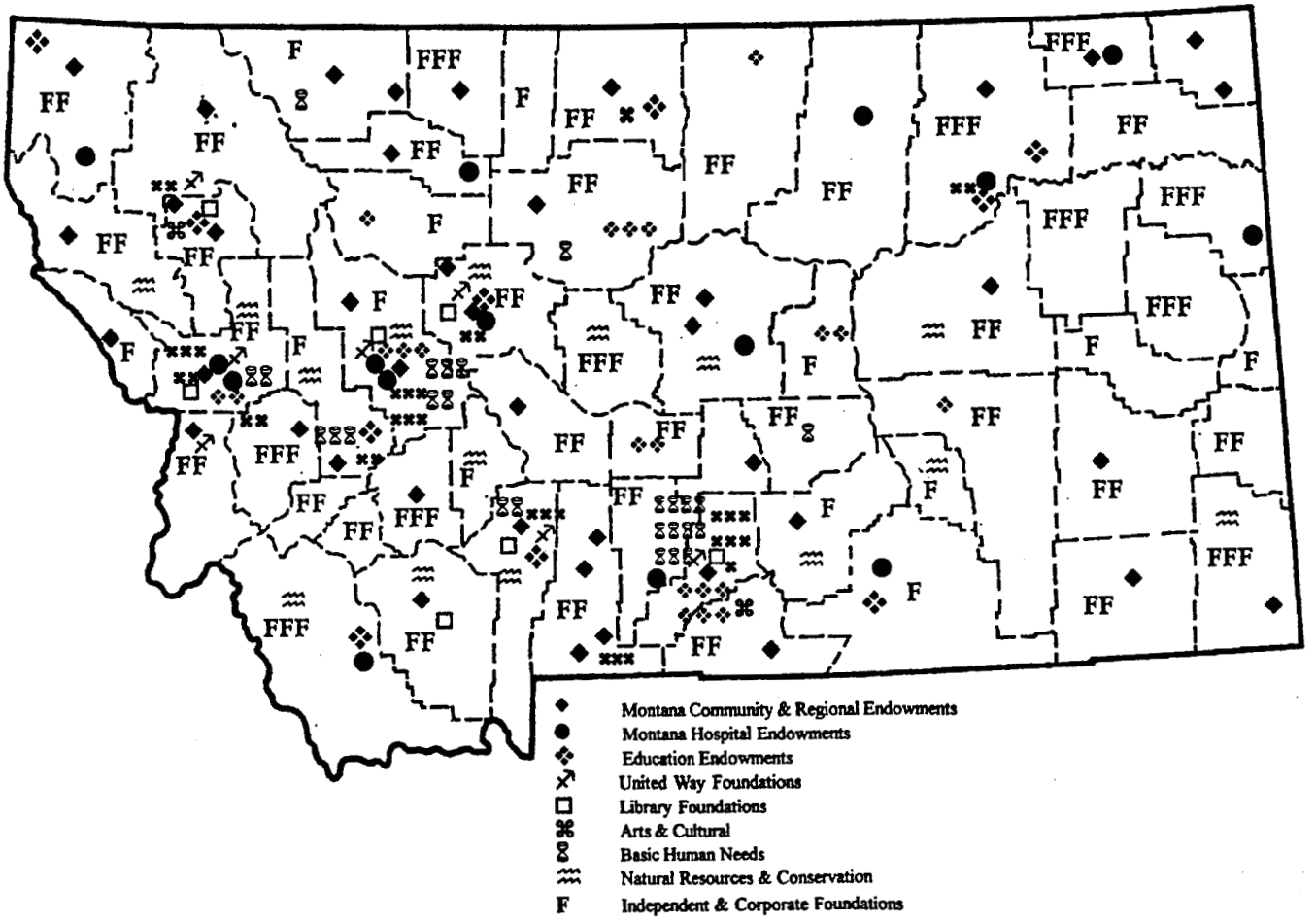
EXHIBIT 1
DATE 2/14/97
HB 434

Montana Endowments

The following information is designed to show examples of Montana endowments and how the tax credit for endowed philanthropy could enhance endowment development in Montana. The over 300 endowments list inside and indicated on the map below, show the diversity of permanent funds working for Montana's future and strengthening statewide community vitality. Permanent endowments offer communities the opportunity to acheive greater financial security through earnings that can help meet future financial needs.

The proposed legislation provides a credit against Montana income taxes in the amount of 50% of qualifying contributions, up to a maximum of $10,000 credit per year per individual. Planned gifts are irrevocable and include such things as: Charitable Remainder Unitrusts and Annuity trusts; Pooled Income Fund trusts; Life Estate Agreements; Paid up Life Insurance Policies; Deferred Charitable Gift Annuities; Charitable Lead Annuities and Unitrusts. The four examples of charitable giving illustrate how the tax credit could impact different scenarios.

The Governor's Task Force on Endowed Philanthropy, along with supporters from a number of charitable organizations throughout Montana, encourage the Montana Legislature to enact the proposed tax credit legislation to provide critical incentives for better community savings.



Montana Community Endowments ◆

Beartooth Regional Fund
Blackfeet Community Fund
Broadview Community Centennial Fund
Broadwater County Community Fund
Butte-Silver Bow Community Fund
Carter County Fund
Cascade County Community Fund
Central Montana Community Foundation
Custer County Community Fund
Daniels County Beacon Foundation
Eastern Plains RC&D Fund
Fergus County Community Fund
Flathead County Community Fund
Gallatin County Community Fund
Hill County Community Fund
Lake County Community Fund
Lewis & Clark County Community Fund
Lincoln County Community Fund
Lincoln Community Fund
Livingston Community Fund
Lower Yellowstone Rural Electric Assoc. Fund
Mandala Fund (Mineral County)
Meagher County Fund
Missoula County Community Fund
Park Electric Co-op Fund
Pondera County Community Fund
Power River Community Development Fund
Sanders County Community Fund
Sheridan County Community Fund
Sheridan Electric Co-op Fund
Stevensville Community Foundation
Toole County Community Fund
Upper Missouri G&T Electric Co-op Fund
Valley County Community Fund
Whitefish Community Foundation
West Yellowstone Foundation
Yellowstone County Community Fund

Regional Funds

(Unrestricted funds for the general benefit of regions)
ARCO Rural Development Fund-Five Valleys, Gold & Mountain Regions
C.M.Russell Regional Fund
Five Valleys Regional Fund
Glacier Regional Fund
Greater Yellowstone Regional Fund
Mountain Regional Fund

Hospital Endowments ●

Barrett Memorial Hospital, Dillon
Big Horn County Memorial, Hardin
Central MT Medical Center, Lewistown
Columbus Hospital, Great Falls
Community Memorial Hospital, Sidney
Community Medical Center, Missoula
Daniels Memorial Hospital, Scobey
Frances Mahon Deaconess, Glasgow
Phillips County Hospital, Malta
Pondera Medical Center, Conrad
Shodair Hospital, Helena
St. John's Lutheran Hospital, Libby
St. Patrick's Hospital, Missoula
St. Peter's Hospital, Helena
Stillwater Community Hospital, Columbus

Charitable Remainder Trust

Annabelle Smith is a 77 year old retired schoolteacher. She has a comfortable retirement and an IRA worth $50,000. She also has a small portfolio of highly appreciated growth stocks (which yield only a very small dividend) worth about $60,000. She is unmarried and her closest relative is her niece who is her beneficiary designee on her IRA. For many years she has worked as a volunteer at her local humane society and she would very much like to remember this charity generously when she is gone. In visiting with her financial and legal advisors, she learned that she could increase her spendable income by creating a charitable trust funded with her portfolio assets, name the humane society as the ultimate beneficiary, and create an endowment at the society in her honor. In addition, to her increase in income, such an irrevocable decision would also enable her to claim a one time $10,000 tax credit on her state income tax return in the year the trust is established.

United Way Foundations ↗

Cascade County United Way
Flathead County United Way
Gallatin County United Way
Lewis & Clark County United Way
Missoula County United Way
Yellowstone County United Way

Library Foundations □

Billings Parmly Public Library Fund
Bitterroot Public Library
Bozeman Public Library Fund
Flathead County Library Fund
Great Falls Public Library Fund
Lewis & Clark Public Library Fund
Madison Valley Public Library Fund, Ennis
Missoula Public Library Fund

Arts and Culture Foundations ⌘

Alberta Bair Theater: Dance, Education & Operations Funds, Billings
The William E. & Pauline K. Allen Charitable Remainder Trusts for the benefit of the Helena Symphony, Holter Museum, & Myrna Loy Center, Archie Bray Foundation, Helena
bellissimo! Fund, Billings
Bigfork Center for the Performing Arts Fund
Billings Studio Theatre
Billings Symphony Fund
Butte Center for the Performing Arts Fund
Clack Museum, Havre
C.M.Russell Museum Fund, Great Falls
Custer County Arts Center
John Ellis Fund (Liturgical Music), Missoula
Emerson Cultural Center/Beall Park Art Center Fund, Bozeman
Fort Peck Fine Arts Council
Fort Peck Theatre Preservation Fund
Gallatin County Historical Society
Glacier Orchestra & Chorale Fund, Kalispell
Grand Street Theater Fund, Helena
Great Falls Symphony Association Fund
Hockaday Center for the Arts Fund, Kalispell
Helena Arts Plus Fund
Heritage Park Fund, West Yellowstone
Holter Museum Fund, Helena
International Choral Festival Fund, Missoula
MCT Community Arts Fund, Missoula
Missoula Museum of the Arts Foundation Fund
Missoula Symphony
Montana Repertoire Theatre
Moss Mansion Fund, Billings
Museum of the Rockies Fund, Bozeman
Myrna Loy Center Fund, Helena
Pamelia Endowment Fund, Statewide
Pat Lilly Memorial Art Gallery Fund, West Yellowstone
Pioneer Cabin Fund, Helena
Sandra Snyder Banks Fund for the Yellowstone Arts Center, Billings
Shakespere in the Park
West Yellowstone Historical Society Fund
Western Heritage Center, Billings
World Museum of Mining Fund, Butte
Yellowstone Art Center Fund, Billings

Education ❖

Billings Public Education Foundation:
Unrestricted Fund; Jim Rickard Staff Development Fund; Science Fund & Scholarship Funds-Roger F. Eble, Peter Yegen, Jr.
Carroll College Endowment, Helena
College of Great Falls Fund
DADCO Continuing Education Memorial Scholarship Fund
Flathead Valley Community College Fund
Fritz Wipplinger Scholarship Fund, Lake & Sanders Counties
Fort Peck Community College Fund
Glasgow Elks Lodge #1922 Scholarship Fund
J.O. Thoreson, Broadview Scholarship Fund
Karl I. Deshler Fund, Butte

Paid Up Life Insurance

David and Wilhelmena Jones are both retired. They are 67 years old and have two grown children. They would like to leave the bulk of their estate, which is sizeable, to these children. They would like to also give a generous contribution to the local hospital where David was so well cared for during a recent surgery. They have a paid-up life insurance policy on David's life (with a current cash value of $10,000) which they are considering gifting to the hospital. A transfer of ownership of the policy to the hospital, restricted for endowment purposes, would generate a $5,000 credit on their tax return in the year the irrevocable transfer is made.

Little Big Horn College Fund
Margaret Deshler Fund, Butte
Margaret Rigby Class of 1956 Memorial Scholarship Fund, Billings
Meagher Co. Historical Association Fund
MT Nurses Association Education & Research
MT Nurses Association History & Literary Fund
MT Professional Photographers Association Scholarship Fund
Montana Tech Fund, Butte
Montana State University Fund, Bozeman
MSU - Eastern Fund, Billings
MSU - Northern Fund Havre
Rocky College Fund, Billings
University of Montana Fund, Missoula
UM-Western Fund, Dillon
Native American Scholarship Fund
Owen Sowerwine Foundation Fund, Kalispell
PeeWee Weber Scholarship Fund (Helena Kiwanis)
Pioneer Kiwanis Club Fund, Billings
Plymouth Christian Education Fund, Helena
Robert & Lillian Tirrell Scholarship Fund, Billings
Robertson Family Memorial Scholarship Fund, Judith Gap
Sam & Hulda Clark Scholarship Fund, Golden Valley County
St. Labre School Fund
Sweetgrass County High School Centennial Scholarship Fund
Winston & Helen Cox Fund
Wyman Family Memorial Scholarship Fund, Phillipsburg

Basic Human Needs

Arthritis Support Fund
Billings Exchange Clubs-Dress a Child Fund
Billings YWCA Fund
Butte Family YMCA Fund
Children's Fund, Billings
Concern for the Aged Fund, Billings
Deshler Family Fund, Butte
Disadvantaged Children's Fund, Billings
Friends of Reach Fund, Bozeman
Fund for Women
Gallatin Hospice Fund, Bozeman
Helena Babe Ruth Association Fund
Helena YMCA Fund
Helena YWCA Fund
M.F. & Doris E. Mueller Fund, Missoula
Montana Youth Homes Resources Fund
Northern Rockies Cancer Center Fund, Billings
Orthopedic Support Fund, Billings
Pediatric Family Center of Montana Fund, Billings
Pondera Medical Center Fund, Conrad
Earl Reilly Memorial Fund (MT. Senior Citizens)
David F. Sloan Memorial Burn Foundation Fund, Billings
Special K Ranch Fund, Billings
Linda Swab Fund, Missoula
Westmont Fund, Helena
Young Families Program Fund, Billings

Natural Resources & Conservation

Alternative Energy Resources Organ. Fund
Big Hole River Foundation
Ray Doig Memorial Fund, Townsend
Forever Wild Fund
Great Falls Community Beautification Fund
Madison-Gallatin Wild Trout Foundation
Matthew Hansen Fund
Montana Conservation Corps Fund
Montana Natural Resources Foundation
Orion-The Hunter's Institute Fund
Power -Tobin Historical Preservation Fund
"Punk" Ward (Montana Club) Fund, Helena
Rocky Mountain Elk Foundation
Soil & Water Conservation Society Fund
Wild Country (American Wildlands) Fund

Big Sky International Air Show Funds

Al Bedoo Black Horse Patrol
Al Bedoo Greeters Transportation
Al Bedoo Oriental Band
Alternatives, Inc.
Animal Welfare League
Aquatic Club
Big Brothers & Sisters of Billings
Billings Area Lions Club, Jaycees, Workshop Funds
Billings Boys & Girls Club
Breakfast Exchange Club
Deaconess Medical Center
Elks Booster
For Kid's Sake
Foster Grandparents
Friendship House
Growth Thur Art
Heights Exchange Club
Horizon Home
Masonic Youth
Mental Health Association
R.O.S.E.
Riverside/Westend Optimists
St. Vincent Hospital Children's & Health Center Funds
Sacred Heart Loyalty Association
Soroptomist Club
Telephone Pioneers Fund
Youth Dynamics, Inc.
Zoo Montana

Other Endowment Funds

American Indian Institute Fund
Big Sky Girl Scout Council Fund
Browning, Kaleczyc, Berry & Hoven Fund Eck Family Fund
Fund for the 22nd Century
Harriet Barer Memorial Cemetery Fund
Helena Chrysler Nissan Employee-Customer Fund
Lee Foundation Unrestricted Endowment
Lewis & Clark Humane Society Fund, Helena
Merrill Lynch Fund
Shirley McShane Miller Fund
MT Community Foundation Unrestricted Fund
MT Community Foundation Seed Fund
Montana Council, Boy Scouts of America Fund
Montana Grains Foundation Fund
Montana Renaissance Fund
C. Eugene Phillips Memorial Fund
Race to the Sky Fund
Rural Development Fund
Veck Fund

Independent & Corporate Foundations

MPCo/Entech Foundation, Butte
Charles M. Bair Memorial Trust, Billings
Montana Community Foundation, Helena
Dennis & Phyllis Washington Foundation, Missoula
First Interstate BancSystem Foundation, Billings
Sample Foundation, Billings
The Heisey Foundation, Great Falls
Lloyd D. Sweet Foundation, Chinook
Gladys E. Knowles Charitable Memorial Trust, Billings
Haynes Foundation, Helena
Charles W. & Gina S. Lippard Foundation, Great Falls
The Tomorrow and You Foundation, Great Falls
Dufresne Foundation, Great Falls
Rudy Suden Scholarship Trust Fund, Great Falls
Cobb Foundation, Great Falls
Sands Memorial Foundation, Havre
Treacy Company, Helena
Olive Rice Reiserson Foundation, Helena
Ila B. Dousman Fund, Missoula
Tracy Foundation, Columbia Falls
Livingston Community Trust
Jane Buttrey Memorial Trust, Great Falls

Land

Frank and Marilyn Johnson are grandparents who are 65 years old. They have three grandchildren. Frank made a very fortunate purchase of land at a very low basis which has subsequently grown three-fold. There would be a very high capital gains tax if he were to sell the land. Frank and Marilyn wish to donate to the local community college where both they and their children are alumni. By setting up a charitable remainder trust with the land, Frank will have a guaranteed income from it to help support his grandchildren at the same local community college. At the same time, he will be helping the college and his tax bill.

Helen S. Davis Scholarship Trust No.3, Helena
The Cinnabar Foundation, Bozeman
Johansen Foundation, Whitefish
George M. Harris & Faye Tabor Harris, Helena
Joseph N. Blankenbaker Charitable Trust, Great Falls
Susan Scott Heyneman Foundation, Billings
Ralph H. Foss Memorial Trust, Billings
John W. McKee Educational Trust, Great Falls
Roberts Family Memorial Fund, Great Falls
Bert Elliott Trust, Hardin
George & Laurine Harris Charitable Trust, Great Falls
Cora Rust Owen Memorial Trust, Helena
L.P. and Teresa Anderson Foundation, Miles City
Marshall and Mary Brondum Assistance Foundation, Missoula
W.J. Gallagher Foundation, Missoula
Omega Foundation, Billings
Schilling Family Foundation, Helena
George M. & Florence M. Clarkson Scholarship, Polson
Leonhardt Foundation, Bozeman
Melvin Gay Citizenship Incentive Trust, Great Falls
Fred & Marie Barnard Scholarship Fund, Great Falls

Independent & Corporate Foundations *continued*

Griffis Scholarship Foundation, Kalispell
Ray & Nell Johnson Scholarship Fund, Helena
Eve Weaver O'Connell Memorial Scholarship, Helena
Henry Stanley & Marie Adele Percival Scholarship, Helena
Lair Family Foundation, Billings
John A. Johnson Scholarship Foundation, Helena
Rapp Family Foundation, Inc., Corvallis
Leuthold Foundation, Billings
Lucille McD. Logan Charitable Trust, Bozeman
Jessie Bayha Scholarship Fund, Helena
Forever Wildlife Foundation, Big Sandy
W-1000 Trust, Billings
Preston Benevolent Fund, Inc., Missoula
John S. Skranak Foundation, Helena
John Papazian Educational Assistance Trust, Great Falls
Mars & Verna Rolfson Scholarship Trust, Polson
Fred L. Robinson Fund, Malta
George W. Wilson Trust, Shelby
Pioneer Memorial Scholarship Fund, Helena
George and Blanche Taber Scholarship Trust, Polson
James E. Murphy Legal Scholarship Foundation, Kalispell
Verna I Rudman Charitable Trust, Great Falls
Owen E. Sowerwine Foundation, Kalispell
Andrew & Paulette Laszlo Foundation, Billings
Edna M. Ogline Charitable Trust, Great Falls
Ashcraft Foundation, Inc., Sidney
Paulus Foundation, Billings
Larson-Weber Memorial Scholarship Fund, Thompson Falls
Nashua Alumni Memorial Scholarship Trust, Great Falls
Dru Allison Cederberg Foundation, Billings
Grace Miller Crumley Trust, Billings
Joel & Andrea Long Charitable Foundation, Billings
Montana Foundation, Billings
John L. & Marilyn J. Olson Family Foundation, Sidney
Groskinsky Foundation, Sidney
Svarre Foundation, Sidney
Henry Elm Trust, Sidney
Peter Nelson Foundation, Helena
Bertram & Alta Heartt Hochmark Scholarship, Helena
Demolay Memorial, Inc., Great Falls
Beaverhead Foundation, Dillon
Nibs & Edna Allen Foundation, Miles City
Bertram Hochmark Memorial Trust, Helena
Darkenwald Foundation, Inc., BigFork
First Interstate Foundation, Inc., Kalispell
Burke Family Foundation, Butte
J.A. McGowan Foundation, Plains
Thor Svenby-Sophia Johnson Scholarship Fund, Great Falls
SJL Foundation, Billings
Hawkins Scholarship Foundation, Kalispell
Broadbent Family Foundation, Livingston
First Interstate Banks of Billings Centennial Youth, Billings
Jack W. Thompson Foundation, Helena
Edward P. Maronick Charitable Foundation, Helena
Williams Sears Foundation, Superior

Residence

Marian White is a widow with an adequate income, enough liquid assets to leave a generous estate to her children and an attractive house in a good neighborhood. Her children have indicated that they do not wish to inherit the house. Marian would like to leave the house upon her death to her local United Way. The present value of the home is $126,000. By creating an irrevocable life estate destined for endowment, she will be able to continue to live in her home during her lifetime, experience the satisfaction of making a substantial gift to charity, and enjoy the savings from her $10,000 tax credit (which, since she doesn't need the extra income, will enable her to make additional outright gifts to the United Way, the YWCA, and to family).

We know there are many more Montana endowments supporting local communities.

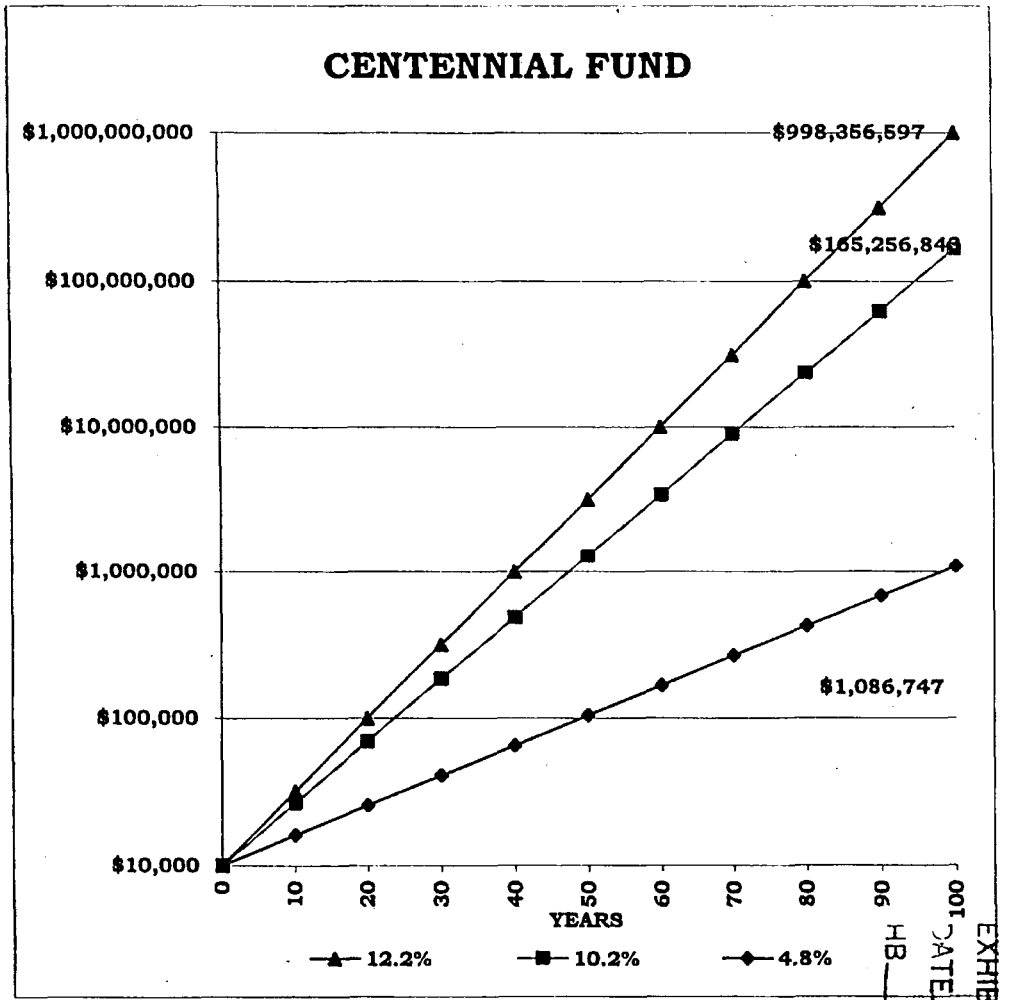
Please contact the Governor's Task Force on Endowed Philanthropy at 406.442.9511 to add an endowment, so we can compile a comprehensive list.

Thank you.

1-6-96

FUND FOR THE 22ND CENTURY

	Small Company Stocks*	Large Company Stocks	Long-Term Gov't Bonds*
Years	12.2%	10.2%	4.8%
0	$10,000	$10,000	$10,000
10	$31,618	$26,413	$15,981
20	$99,967	$69,764	$25,540
30	$316,072	$184,267	$40,817
40	$999,342	$486,703	$65,231
50	$3,159,678	$1,285,523	$104,247
60	$9,990,136	$3,395,437	$166,601
70	$31,586,389	$8,968,331	$266,250
80	$99,868,506	$23,687,955	$425,503
90	$315,760,007	$62,566,737	$680,010
100	$998,356,597	$165,256,843	$1,086,747



* 1925-1994 Compound Annual Returns - *Ibbotson Associates 1995*

EXHIBIT 2
DATE 2/14/97
HB 434

EXHIBIT 3
DATE 2/14/97
HB 434

OFFICE OF THE GOVERNOR
STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

October, 1996

To All Interested Montanans:

In a meeting held in my home in November of 1994, community, business and civic leaders from all over the state met with me to discuss the issue of endowed philanthropy in Montana. That conversation convinced me that Montana lags behind the rest of the nation in terms of endowments to strengthen statewide community vitality.

At the beginning of 1995, I appointed the Governor's Task Force on Endowed Philanthropy to address the lack of endowed giving in Montana. Attached is a legislative proposal that the task force has been developing over the past two years. I appreciate their efforts and am pleased to support this proposal.

During the last legislature the task force developed a proposal to promote endowed philanthropy by seeking enactment of a tax credit to encourage greater giving to endowments. That proposal failed. The task force has spent the past eighteen months examining why the proposal failed and modifying it to make it more acceptable to the legislature. More importantly, a number of the improvements provide an even better incentive to promote community vitality through endowed philanthropy. Specifically, the current proposal avoids competition with fundraising for community charities, while at the same time expanding the incentive for greater savings for community endowments.

Over the past few years it has been my pleasure to visit virtually every community in Montana, and those visits, coupled with the changing levels of support by government, convince me that even greater savings will be needed to ensure the security of our communities in the future. Hopefully, the legislature will see fit to enact the attached proposal or one similar to it to provide the necessary incentives for greater community savings.

Should you have any questions, comments or suggestions on how this proposal can be improved, I would certainly enjoy hearing from you.

Thank you for your interest in the future of Montana's communities.

Sincerely,

MARC RACICOT
Governor

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529

MONTANA

GOVERNOR'S TASK FORCE ON ENDOWED PHILANTHROPY

. . . Ensuring a Secure Future for Montana

CHAIR:

Sue Talbot
MT Community Foundation, Missoula

MEMBERS:

Tom Alfrey
U. S. West Foundation, Great Falls

David Auer
MT Community Foundation, Billings

Kris Backes
Plum Creek Timber Co. Foundation
Columbia Falls

Thomas Berg
United Way of Cascade County
Great Falls

Steve Browning
MT Community Foundation, Helena

Cheri Burns
MT Bankers Association, Helena

Chuck Butler
Blue Cross Blue Shield of Montana
Helena

Bill Cain
MPC/Entech Foundation, Butte

Cathy Campbell
Rancher, Wolf Creek

John Delano
MT Community Foundation, Helena

Tom Elliott
N-Bar Ranch, Grass Range

John Etchart
Andrew Malcolm
Linda Reed
Governor's Office, Helena

Alan R. Kahn
Consultant, Bozeman

Vern Petersen
Central MT Foundation, Lewistown

William B. Pratt
MT Community Foundation, Helena

S. Clark Pyfer (Advisory)
MT Community Foundation,
East Helena

Russ Ritter
Washington Foundation, Helena

Larry Robertson
Natural Resources Conservation Service
Helena

Ted Smith
The Henry P. Kendall Foundation
Boston/Polson

Jim Soft
Yellowstone Boys & Girls Ranch Foundation
Billings

Burt Sugarman
GIANT GROUP
Beverly Hills/Whitefish

Margie Thompson
MT Community Foundation, Butte

Josh Turner
Turner & Associates, Helena

Sherry Stevens Wulf
United Way, Kalispell

CONTACT:

Ti Dahlseide
Governor's Office, Helena
406-444-2436 FAX: 406-444-4339

LC No. 546

A Proposal for
ENDOWMENT INCENTIVE LEGISLATION

Background

In the fall of 1994, Governor Marc Racicot appointed a Task Force to investigate and recommend means of encouraging endowed philanthropy to serve the future needs of Montana's citizens. During the 1995 legislative session, the Task Force sponsored legislation calling for a credit against state income taxes for contributions to certain endowments. The proposed legislation failed, but since then, much time and study has been spent reviewing whether and what type of tax incentive might be effective, as one of several components, to encourage endowed philanthropy in Montana. As a result, the Task Force is recommending to the Governor and the next Legislature that a tax incentive be enacted.

The following proposal, which retains the support of the Governor and the Montana Department of Revenue, incorporates many of the suggestions made by Montanans to earlier drafts.

Recommended Endowment Incentive

A credit against Montana income taxes due would be computed in the amount of 50% of qualifying contributions, up to a maximum $10,000 credit per year per individual for a qualifying *planned gift* and a credit of equal size for an outright gift by an estate or corporation. Qualifying charitable contributions, under the Internal Revenue Code, would be defined as a *planned gift* to any qualified endowment. A qualified endowment would be defined as the endowment fund of any organization incorporated in Montana or established primarily for the benefit of Montana citizens or groups and certified as tax exempt by the Internal Revenue Service. Further, a qualified endowment must satisfy the following three conditions to qualify for the recommended tax credit: 1) the endowment must be irrevocable and permanent, 2) the income granted from the endowment must be directed to recipients in a manner that qualifies for tax deductibility as a charitable contribution, under the Internal Revenue Code, and 3) the endowment's principal, revenue and disbursements must be managed in a manner that guards against erosion by meeting the prudent investor rule.

DISCUSSION

1. Q: *Why is the tax credit being proposed?*
   A: To encourage the establishment and/or enhancement of permanent endowment funds to benefit Montanans.

2. Q: *Specifically, what kind of planned gifts are there and which type qualify?*
   A: As discussed above, the *planned gifts* must be irrevocable and qualify as charitable contributions under the Internal Revenue Code. Further, the document of conveyance and/or acceptance must explicitly restrict the *planned gift* to endowment of the qualifying organization.

   Planned gifts meeting the above criteria could include:
   - Charitable Remainder Unitrusts
   - Charitable Remainder Annuity Trusts
   - Pooled Income Fund Trusts
   - Charitable Lead Unitrusts
   - Charitable Lead Annuity Trusts
   - Charitable Gift Annuities
   - Deferred Charitable Gift Annuities
   - Life Estate Agreements
   - Paid up Life Insurance Policies

   Generally speaking, the above *planned gifts* are used by individuals to make an irrevocable commitment of a principal asset for the future (and sometimes immediate) benefit of charity. In most *planned gifts*, the donor retains the use of asset during his lifetime usually because he can't afford to forfeit the earning power of the asset. Tax incentives, such as the proposed credit, induces individuals to make substantial irrevocable *planned gift* "commitments" now to future endowments, thus helping to grow Montana philanthropy.

3. Q: *What is an endowment and why is it important to enhance endowment giving in Montana?*
   A: An endowment is a permanent fund held by a tax exempt organization where the principal of the fund is not expendable. Only the interest and appreciation earned in an endowment fund can be used for current operations. Endowments are established to help Montanans and meet long-term needs, such as providing a permanent source of funds where the earnings can be used to meet future community needs (for education, arts and culture, social services, economic development, health care, etc.).

4. Q: *Why should planned gifts to endowment funds, as opposed to gifts to annual and other charitable fundraising, be singled out for the credit?*
   A: There are already effective tax incentives for gifts to annual and other charitable fundraising. The Task Force believes that the proposed credit will encourage additional planned giving to permanent funds thereby generating income to supplement funds needed for future operating needs and that this additional giving will not detract from the immediate operating funding needs of Montana's charities.

   Endowments are funded primarily by estate bequests and *planned giving*. Annual gifts meet current needs and tend to fall within a predictable dollar range, while contributions to endowments tend to be larger gifts, often made in conjunction with *planned giving* and estate planning. Endowments also can heighten public confidence in an organization and spur increased giving for current needs. Moreover, *planned gifts* often increase spendable income (which, by the way is taxable and thus a "revenue generator" for government) enabling the donor to have extra income out of which they frequently increase their giving to annual campaigns for current needs. For example, when the State of Michigan enacted a tax credit for gifts to charitable endowments, two independent evaluations found no negative impact on United Way giving in Michigan. In fact, annual giving to United Way actually increased.

5. Q: *How does this proposed tax credit differ from the previous proposals by the Governor's Task Force on Endowed Philanthropy?*

   A: It differs in two significant ways. First, the tax credit is no longer restricted to gifts to community foundations. A second major difference is the Task Force's increased emphasis on *planned giving* and its growing concern for the need to maintain current giving. The earlier proposals would have provided tax credits to individuals who might make relatively small contributions ($500 or less) to relatively larger endowments in community foundations. This proposal seeks instead to encourage relatively larger planned gifts (i.e., transfers of savings that were created for either retirement support or testamentary transfer) to relatively smaller public and private tax exempt endowments. The purpose is the same: to increase endowed philanthropy in Montana, but the means are quite different: to encourage greater planned giving in Montana to charitable endowments, without adversely impacting current giving.

6. Q: *Can this credit benefit taxpayers of all income levels?*

   A: Yes. Planned giving is an option available to all taxpayers and it is realistically usable by many if not most of Montana's taxpayers. Planned giving deals with saved assets: homes, personal property, pension funds, etc. Many Montanans own such assets later in their lives at a time when they might consider making a *planned gift* to a charity. However, such giving often does not occur simply because taxpayers are accustomed to making gifts out of income only and not from principal assets. The task force believes that a tax incentive, such as the proposed credit, would provide the necessary additional incentive for taxpayers to consider making a *planned gift* to a qualified endowment out of principal assets which is the primary source for endowment.

7. Q: *Why do we need more and larger endowments?*

   A: The needs of all Montana's communities are increasing while resources to help are diminishing. At the same time, government at all levels is shifting responsibility to local communities and many Montana communities lack the resources to assume these additional responsibilities. They lack the permanent endowments, common in most other states, that can provide a perpetual funding stream for charitable purposes and create a cushion against catastrophe. Expanded permanent endowments can help communities achieve the financial security to devise and implement their own best strategies and solutions, serving as a buffer for maintaining essential services in lean years and enabling communities to begin planning ahead, instead of operating hand-to-mouth.

   In addition to aggregating money, endowments also enable donors to accomplish their charitable goals in communities they know and love; they create and nurture community leadership, and they enable local people to allocate community resources to serve locally determined priorities. Endowments offer a tangible way of enlarging the charitable pie rather than continuing to argue about how thinly it might be sliced.

8. Q: *What is the status of endowed philanthropy in Montana?*

   A: No matter how you measure endowed philanthropy, Montana ranks near the bottom of the 50 states. Montana is home to less than three-hundredths of one percent of all U.S. foundations. We rank 48th in the nation in foundation assets and 49th in foundation giving. Despite our relatively small population (ranking 44th in the nation), demographic and income data suggest that the number and size of our foundations should be significantly greater.

Deaconess
Foundation

EXHIBIT 4
DATE 2/14/97
HB 434

STATEMENT OF SUPPORT FOR HB 434

Deaconess Billings Clinic Foundation joins Governor Marc Racicot, Rep. Chase Hibbard, and the many Montana Senators and Representatives in support of HB 434.

We feel the proposed tax credit that would be available to all of Montana's citizens will help increase planned gifts to Deaconess Billings Clinic Foundation. Planned gift revenues are used by our Foundation to build our permanent endowment so we may better plan for future health care demands and provide support for programs and services that positively impact the health of the population in our community and region.

2917 10th Avenue North
P.O. Box 3566
Billings, Montana 59103

Telephone 406-657-4670
Fax 406-245-5854

QUESTIONS OR TIPS?
Call City Editor
Linda Caricaburu
at 791-1491 or
(800) 438-6600

MONTANA

INSIDE:
Obituaries ..... 2B▶
Statistics ..... 2B▶
Legislature ..... 4-6B▶

Bill would give 'the givers' a tax break

Measure seeks to boost 'philanthropic endowments'

By MIKE DENNISON
Tribune Capitol Bureau

HELENA - If you live in Chouteau County and enjoy protection from a volunteer fire department, chances are you owe at least a partial thanks to farming-and-ranch couple Charles and Gina Lippard.

The same could be said for local ambulance services, Little League baseball clubs, swim teams, soccer clubs, search-and-rescue outfits, museums and community centers.

Almost all of them have benefited in some way from the generosity of the Lippards – but they can't give their thanks in person, because the Lippards passed away several years ago.

Before they died, the Lippards help set up the Lippard Foundation – a $4.5 million endowment that exists solely to help community groups and projects in Chouteau County. It recently combined with another charitable cause and is now called the Lippard-Clawiter Foundation.

The Lippard Foundation is just one type of "philanthropic endowment" that may be encouraged by a bill drawing widespread support at the Legislature, including the endorsement of Gov. Marc Racicot.

House Bill 434, introduced by Rep. Chase Hibbard, R-Helena, would provide up to a $10,000 state income-tax credit for "planned gifts" that would help establish or expand local endowment funds in Montana. It has about 70 co-sponsors, and will be heard before the House Taxation Committee next Friday.

More from Legislature / 4-6B

"Americans have had a long history of being philanthropically minded," says Hibbard. "This restores some of the fair tax treatment that has been taken away within the last decade or so."

The bill is a product of a task force that Racicot appointed in 1995 to examine ways to increase philanthropy in Montana. The governor also briefly alluded to the idea in his State of the State address, saying it can "encourage saving for our communities' future."

Racicot's task force has said, in these times of increasingly tight public funds, philanthropic endowments are one way to help local communities pay for services they otherwise could not afford.

But Hibbard says he doesn't necessarily see philanthropic giving as a replacement for taxes or other public income.

"I don't think there is a direct correlation between the curtailment of (government) services and this bill," he says.

"There could be things that are provided for communities (through endowments) that wouldn't otherwise be available. Some might say that should be a function of government. But we have a long tradition of people of means being able to give back to their community."

"Philanthropic endowments" are hardly a household term in Montana, but they are widespread here and throughout the country. But while more than 300 such endowments exist in Montana, the state lags well behind almost every other state in overall philanthropic giving.

"Planned giving is fairly rare around here," said Steve Browning, a Helena lawyer who's been involved in many philanthropic efforts and sits on the governor's task force. "It's more prevalent in urban-

See TAX BREAK, 2B

Tax break: Philanthropic endowments

FROM 1B

ized areas, because the institutions are a little larger and they have more experienced endowment staffs."

An endowment is a fund that goes unspent; the interest it generates is spent on whatever charitable cause may be chosen by those who establish the fund. In Montana, endowments range from a few thousand dollars to multimillion-dollar funds like the foundation established by Missoula industrialist Dennis Washington and his wife, Phyllis.

Cascade, Lewis and Clark, Fergus, Hill, Meagher, Pondera and Toole counties each have a community endowment fund.

HB434 offers its tax credit only for "planned gifts," which are donations that aren't transferred completely until the donor dies. The donor decides to transfer the assets to a charity, but can keep income from the assets until his or her death.

Browning says current state law allows only an income-tax deduction for such donations. HB434 would make the benefit a straight, one-time credit against one's tax bill.

In Chouteau County, the Lippard Foundation distributes about $200,000 a year to local causes, says foundation board member and Chouteau County Attorney Allin Cheetham. The only restrictions on the money is that it must be spent on a non-profit, charitable group that is in Chouteau County. A local board of directors has hired a professional money manager to invest the endowment funds, and decides each year how to spend its income.

The Lippards, who ranched near Loma, donated their property and other holdings to set up the foundation in the early 1980s.

"They didn't have any children," Cheetham says. "They said, 'Chouteau County was good to us, so we're going to give something back.'

"The foundation has been a great help ... and, everybody could use the money."

EXHIBIT 5
DATE 2/11/97
HB 434

EDITORIAL DESK 523-5241

Opinion

EDITORIAL POLICY

■ The Missoulian strives to present to readers a wide range of ideas from a diverse array of writers Missoulian Editorials express the views of the newspaper's Editorial Board. Signed commentary, columns, letters and editorial cartoons represent the independent views of the authors. Comments and suggestions always are welcome.

MISSOULIAN EDITORIAL

Community endowments deserve credit

SUMMARY: House Bill 434 would make it affordable for average Montanans to build permanent funds to support community needs. It's a good bill.

Existence tends to be a hand-to-mouth affair for most Montana charitable institutions, museums, arts, conservation and other community organizations. It's one fund-raiser after another out there, just to keep the lights lit and the good works minimally funded.

From groups dependent on donations and those doing the donating alike, we hear the same thing: "There have to be better ways."

And there are.

One answer is endowments. An endowment is a permanent fund that generates interest or other income that can be used to fund targeted causes – year after year after year. The idea is to spend the income from the fund, leaving the principal intact to generate future income.

Permanent endowments are far more common in other states than in Montana. They're generally created by wealthy families and large, locally based corporations, both of which are in rather short supply in Montana.

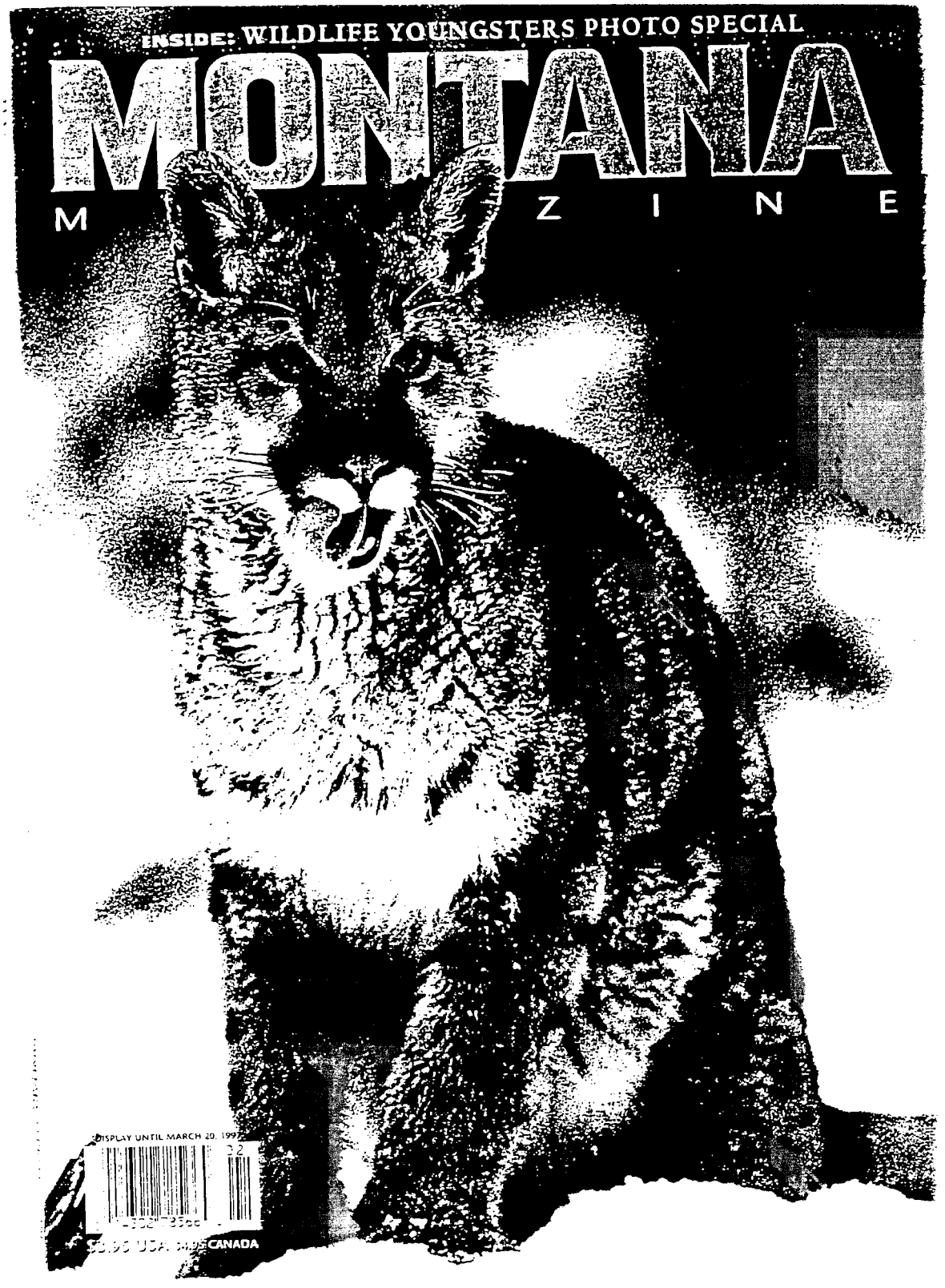
Several years ago, Gov. Marc Racicot challenged Montanans to work as communities to build local endowments themselves. He created the Governor's Task Force on Endowed Philanthropy to recommend ways that average Montanans could pool resources to create permanent funds to pay for any number of local needs.

The task force's best idea: offer Montanans a significant tax credit that encourages creation and growth of community endowments. An early version of this proposal didn't get far in the 1995 Legislature, but an improved version has been introduced in the 1997 Legislature. Rep. Chase Hibbard, D-Helena, has introduced House Bill 434, which would provide a 50 percent tax credit (up to $10,000) for so-called "planned gifts" to qualifying endowments.

Here's how it would work: If you donated $1,000 to the community endowment of your choice, you'd get a $500 tax credit applied against your state income tax bill. Combined with the existing federal income tax deduction for charitable gifts, HB434 could effectively reduce your out-of-pocket cost to 35 cents or less for every $1 donated to a qualifying endowment. Suddenly, even people of moderate means could combine resources to create significant endowments.

Not every Montanan could or would take advantage of this tax credit. But many would, and the effect would be to build permanent, dependable sources of funding for significant community needs and wants.

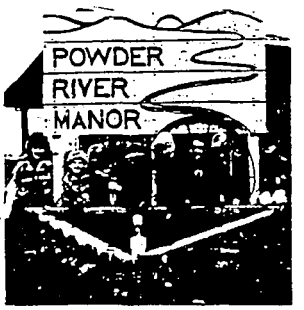
HB434 is an excellent idea, and it deserves your support.


INSIDE: WILDLIFE YOUNGSTERS PHOTO SPECIAL
MONTANA
MAGAZINE
DISPLAY UNTIL MARCH 20, 199
CANADA

Learn and Serve... *Serve and Learn*

YOU MIGHT CALL IT THE DESERT STORM OF MONTANA—A WAR AGAINST APATHY, AGAINST THE IDEA THAT ONE person can't make a difference, that nobody gives a darn anymore. And nobody is winning this battle against indifference quite like the fine residents of Broadus.

Almost seventy miles due south of Miles City and tucked in the middle of red bluffs, gently sloping hills, and miles of crossroads connecting family farms and ranches are the people who collectively refer to this place as home. In the past ten years, this collective unit has experienced a real attitude adjustment. Dave Gardner, a local CPA and rancher, said folks woke up to the realization that they were spending a lot of money raising and educating their youth, only to export them. "California," he said, "was getting a real good deal." Add, too, the sale and eventual closure of nearby Belle Creek Oil in the mid-1980s, which sparked an exodus to oilier pastures in Gillette, Wyoming.



PATTY WHITMAN PHOTO

Broadus primary school students helped landscape the local nursing home

Several community members began questioning how they might stop or at least slow the outgoing flow of young human resources and energy. Taking destiny into their own hands started with "creative futuring," which led to forming the School Community Development Corporation. The corporation worked with the Montana Community Foundation (MCF) to create the Powder River Community Endowment Fund (PRCEF). MCF acts as a steward throughout Montana, investing $11 million of their 200 different endowment funds.

Just a yearling, the PRCEF has already benefited a cross section of Broadus. A $6,233 grant purchased state of the art video recording/editing equipment for the high school, to be used by students and community. Learning as they go, with experience often the best teacher, a high school enrichment class created a video of Mac McCurdy's eclectic collection that he started at age eight. Mac's Museum contains more than 10,000 items, including seashells, arrowheads from all fifty states, butterflies, and bird eggs. Another video is a tribute to local businessman and music instructor Doug Wilbert.

When the Broadus Volunteer Fire Department discovered that their fundraiser to purchase a mobile water supply unit would fall short of expectations, PRCEF loaned them $3,000. The Five Mile Archery Club borrowed $4,000 from the fund to buy three-D targets, liability insurance, and a recreational lease on forty-nine acres of public land. Another $607 grant bought balls and marker cones for the new Broadus Youth Soccer Association.

PRCEF awarded $7,929 to the South East Montana Telecommunications Education Cooperative (SEMTEC). Taking on a project of Goliath proportions, SEMTEC members raised the majority of the required $865,000 through a series of grants. Consequently, Broadus and surrounding rural areas are now on-line as a fiber optics long-distance learning site. A real arterial flow of information into the main stream of rural communities, these classes supply enrichment via college courses and required in-service programs for educators, health care professionals, and community service providers. By day, the high school offers classes in foreign languages, advanced math and science, and upper level English. Evenings and weekends, adult

·BY PAULA KELLY

28

Some of the high school students chose to liven up Pocket Park with a humorous paint job

education and college courses are available for credit from Miles Community College in Miles City, Montana State University–Billings, and Dull Knife Memorial College in Lame Deer. With instructors and students able to see and hear each other, the telecommunication is as good as being there, perhaps better when you figure that in one moment you can travel to the moon and back, and in the next, dig out tonight's dinner from the back of the freezer.

One of my favorite hometown stories, Broadus style, involves a senior in high school, Tyler Gardner. Tyler, with the help of his shop class and instructor, Steve Ray, built a beautiful oak dining room table out of the kind of stuff I'd most likely have used as kindling in the fireplace. The School Community Development Council (SCDC) then purchased the table for $650. That money was used to replenish the high school shop fund. The SCDC then sold chances on the table and made a profit of $900, and proceeds went to the Nursing Home Chapel Fund.

Learn by doing

The Broadus schools applied for and received a Learn and Serve grant for the 1995-96 school year, making them one of four model communities to enrich academic learning by adding student practical service to the community. It's important to note here how we humans learn best. During lectures, the mind tends to nod off and escape to the twilight zone. Average retention at this end of the scale is a whispering five percent. But get involved with what you're studying and then teach it to somebody else and you've upped the ante to a roaring ninety percent.

Broadus's Learn and Serve coordinator, Patty Williams, is a strategist, an organizer, a mind bank of innovative ideas. The word "no" simply does not compute in her mind. While she admits having had to draft (convince) some of the first volunteers, in just a three-month period the number of people calling to ask, "What can I do?" more than doubled.

As I write this, I imagine Patty looking over my shoulder, shaking her head, telling me to delete the stuff about her. "Broadus," she would argue, "is a special place to begin with."

As a former substitute teacher, Patty Williams already knew teachers had units that, with a few adjustments and additions, could be turned into service learning projects. She assisted teachers in converting what they were already using to the service philosophy. One example of unit adaptation was fourth grade teacher Marjorie Riley's study of owls. Patty suggested expanding it to include student research on a bird of their choice. Students wrote the customary report, but also gave a slide presentation to other primary grades and to nursing home residents.

Patty further enlarged the scope of this unit by recruiting five high school shop students to build a large bird feeder and set it outside the fourth grade classroom. She then learned that the birdseed fund over at the Powder River Nursing Home couldn't keep up with the demand. Mrs. Riley's class added another dimension to its service page: pull-tabs were collected from Coca-Cola products to help buy seed for the feathered visitors to Powder River Manor.

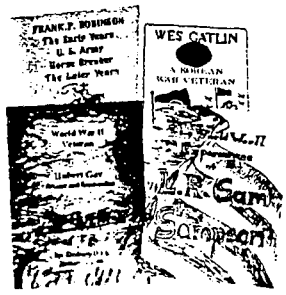
Cross-generational links

Powder River County Schools' reputation for quality education garnered the attention of the Montana Heritage Project [see *Montana Magazine* March/April 1996]. Broadus became one of five schools chosen to be a demonstration site to foster a goal of linking generations. Paula Nisley's sophomore English class interviewed local veterans of WWII and the Korean War in order to preserve part of the community's cultural past. After extensive literary and research analysis, journaling, and personal interviews recorded on video, students professionally documented a variety of experiences.

Veterans were deeply touched to have young people take such an interest in an event that had changed their lives forever. "Our stories need to be told and placed in the museum while we're still alive to tell them," said one veteran. Shortly after the project was finished, Korean War veteran Wes Gatlin died, making everyone

Veterans were deeply touched to have young people take such an interest in an event that had changed their lives forever

mindful of the relevance of time and the importance of getting things done now. The stories are on display at the Powder River Historical Museum. Copies also went to each of the veterans and to the Montana Historical Society.



The sophomore English class interviewed local veterans and documented some of their life stories
PAULA KELLY PHOTO

When students collected canned goods for the Food Bank, the teachers used the opportunity to teach hands-on math and nutrition awareness by reading labels. Pull-tabs from the tops of aluminum cans were saved for the Ronald McDonald House in Billings. Patty described one scene where an elementary student pounced on a pull-tab lying on the sidewalk. "You'd have thought it was a quarter," she chuckled.

First and second graders decided to purchase bedding plants for the local nursing home. But first they had to raise the money to buy the plants. Would their high school counterparts help? Of course. It became a perfect tie-in to the four-part Learn and Serve philosophy: preparation, action, reflection, celebration. The students figured out how they'd get the necessary ingredients for a bake sale. The high school home economics class decided which recipes to use and how they'd use this as a teaching experience. Planning, problem solving, decision making, sales, fractions, counting money, cooperative learning, and group interaction were all part of the process. Younger students reveled in the older students' attention and wisdom and the high schoolers went home rejuvenated after a day of baking around so much energy.

After the bake sale, each first and second grader had a specified amount of money to spend at a local nursery. One student was supposed to leave on a trip to attend a relative's graduation, but couldn't bear to turn her hard-earned money over to a friend to spend. She had to be there, had to pick out just the right plants, had to be the one to dig the hole and stick them in the ground. Complete service for this young girl ranked as non-negotiable.

Mrs. McGill's second grade class decided to see how much cardboard gets trashed at the school. Students collected boxes from cooks, teachers, office workers, and janitors. In just a month, they rounded up 416 boxes, loaded them into a pickup truck and unloaded them at the crusher and baler. Incidental learning provided these facts: a bale of cardboard weighs 1,100 pounds and sells for $180. Recycling has reduced the community's garbage heap by one-third. Cardboard is money in the bank. In just two years, bales of this commodity earned the community's recycling project $7,000. That money was then distributed to worthy causes, such as the Community Endowment Fund, and the Nursing Home Chapel Fund.

On a literary note, elementary students wanted to invite Alaskan author Shelly Gill to their school for half a day. Friday popcorn sales raised more than the necessary $400 and the surplus now draws interest to be applied to a similar project for next year. Another page of service found third-graders reading storybooks to preschoolers every other week—one reader to two or three listeners. The junior English class wrote and illustrated fables for first graders, developing stories that could teach an important lesson. The senior English class, in cooperation with the Montana Heritage Project, created a walking audio tour of the Powder River Historical Museum.

World Famous Psychic

World Famous Psychic
to the Stars

30 years experience
can help you to obtain

LOVE
HEALTH
WEALTH
and LUCK.

Telephone
David Guardino
anytime at
214-340-9844
(Texas)

423-558-1197
or
423-539-0434
(Tennessee)

Fax Numbers:
214-341-0606
or
423-609-0921

30

The Vo-Ag class helped teach Mrs. Riley's fourth grade unit on electricity. There were stations on electromagnets, conductors and insulators; another on the difference between series and parallel circuits; one student made an electric motor out of a battery, another demonstrated how to make a mariner's compass. And the intricacies of chemical reactions became visibly apparent when a wrist watch kept time powered by lemons. At the end of a day of electrifying connections, everyone celebrated over pizza.

Other high school volunteers cut, counted, and bundled Campbell's soup labels that elementary students had collected. In November, art students painted holiday scenes on store windows. Community development students repaired and refinished benches for the senior lounge. High schoolers gave up study halls to act as tutors and teaching assistants for elementary grades. Vo-Ag students helped pour cement for full-length basketball courts at the city park and built a warming box for the paper baler. Two students painted the team's football benches. Others volunteered three days a week to keep the library open during the noon hour.

Cooperative ventures

So there you have it. Not even the complete set of service learning projects but enough to give you an idea of the depth of commitment all the way from kindergarten to graduation. It's all frosting on the cake of caring in Broadus, where young and old have readily acquired a "sweet tooth" for doing things for others.

But back to Patty, who has done a fine job of making individual projects earn their way. The students are becoming masterminds at figuring out how to get what they want by working for it. Money from the car wash the afternoon of Community Service Day along with donations for birdhouses paid for paint and paintbrushes. "We cleared our expenses, even made money," said Patty, noting that a profit wasn't the idea. But the surplus goes into a community fund for when the grants dry up. She's pleased there is money to apply to next year's projects because this year's money has been so well spent...or not spent, as the case may be.

Patty believes the key to enthusiasm lies in keeping service groups small: "That helps create ownership." It's more work for the one who must oversee the varied and numerous activities, but she has delegated some of the responsibility to the adult volunteers who worked side by side with the students.

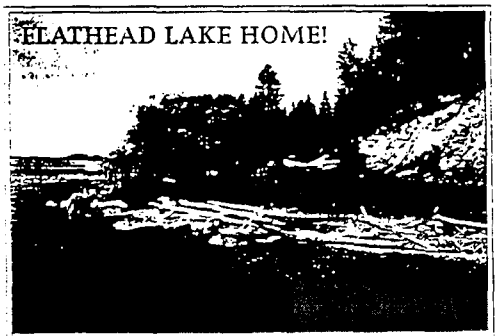
In addition, Patty has kept detailed files on each student's volunteer hours. Colleges and universities across the country no longer zero in on just a candidate's grades, but also examine a student's dedication to their local community and school. "As seniors vie for national scholarships, they'll be competing with graduates from the eastern part of the United States," Patty noted.

THE BEARTOOTH WILDERNESS LODGE & LLAMA RANCH

• Deluxe Lodging in a Wilderness Retreat
• Cross Country Skiing & Snow Shoeing
• Llama Trekking (summer)
• Sauna/Jacuzzi

Phone/Fax: 406.220.2895
P.O. Box 1038 • Livingston, MT 59047
http://yellowstone.minns.com/bearto/bear.htm
e-mail THEBTWL@aol.com

FLATHEAD LAKE HOME!



Make this Flathead Lake home and acreage a part of your future! Level grassy beach, shoreline with dock, private, wooded end-of-road property of nearly 7 acres PLUS a large stately home overlooking glorious Flathead Lake. Minutes from Bigfork and its varied activities. Offered at $990,000.

Please call HAZEL PEDERSON, Broker Associate
(406) 837-5551 • 837-4508

CHUCK OLSON REAL ESTATE, INC.
8090 Hwy 35 • Box 672 • Bigfork, MT 59911

Graduate Tyler Gardner's devotion to service gained him national honors. In June, he traveled to Washington, D.C. to sit on a 4-H panel for work-force preparedness. As an active volunteer and young entrepreneur who credits his shop teacher and his father for heading him in the right direction, Tyler was invited to present his ideas on how vision can be turned into action. As sole proprietor of Ty's Custom Furniture, he attended the National Youth Entrepreneurship Symposium in California. And he's been offered a job with Rural Entrepreneurship through Action Learning (REAL) Enterprises as an intern to promote community involvement.

Tyler believes giving one's time to worthwhile projects is important. "When we graduate from college, companies will be looking to see how we've managed our time and what we've done for our communities. They'll know that if we work that hard for nothing, then they can expect us to work that hard for a salary.

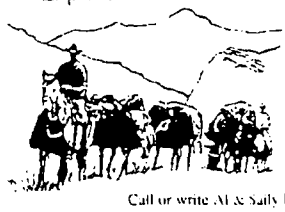
"Service learning is about attitudes and values, about knowing what's important," he continued. "It gives you satisfaction for what you've done as a group, builds your reputation, shows you care."

Tyler talked while I perused the pages of his showcase album with its photographs of the custom furniture he has designed and built. The pieces are exquisite, definitely the mark of a gifted and talented handcrafter of wood. Tyler could easily have turned his back on Broadus, could honestly have excused himself from service by saying, "Sorry, I'm too busy. Promised my customer I'd have this display case ready by..." and devoted time to building up his business and bank account while keeping up with his studies. But he doesn't do that. In fact, Tyler admitted he used to have an "attitude"—that nothing really mattered much. "But now I know...money's not the only thing." **M**

Pamela Kelly teaches voice, flies airplanes, and writes in Helena.

MONTANA PACKTRIPS

Explore the Bob Marshall Wilderness on Horseback



- Unparalleled fly fishing
- Unlimited horseback riding
- Spectacular mountain scenery
- Comfortable wilderness camping
- Diverse and unique trip schedules
- High quality packtrips since 1930

Call or write Al & Sally Haas for free color brochure.

A LAZY H OUTFITTERS

PO Box 729M, Choteau, MT 59422 (800) 893-1155

Got 10 minutes? File your taxes.

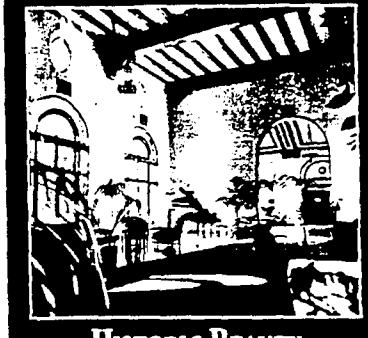
This year, millions will file their tax returns by *phone* — using TeleFile, a free service from the IRS. The call is easy and refunds are fast. Check your mail for a TeleFile booklet.

Department of the Treasury
Internal Revenue Service

TeleFile

It's free. It's fast. It works.

GALLATIN GATEWAY INN



Compromise Nothing

A grand railroad hotel of the Rocky Mountain West listed on the National Register of Historic Places. Offering fine dining and beautifully restored accommodations amid spectacular scenery. Next to superb hiking, hunting, and fishing. Pool, hot tub, tennis court, casting pond and fly fishing school.

Located 12 miles southwest of Bozeman and 65 miles from Yellowstone National Park on Highway 191.

HISTORIC BEAUTY

406-763-4672 or 1-800-676-3522 • P.O. Box 376 • GALLATIN GATEWAY, MONTANA 59730

32

Personal Reminder . . .
Watch for valentine;
It will appear on your
Leader 1 to 3 weeks
before expiration.

Daniels County's
Pioneer Town & Museum
Nothing Like It in the West

Daniels County Leader

THE LITTLE NEWSPAPER — DOING A BIG JOB

Covering Daniels County and portions of Western Sheridan, North Roosevelt and Northern Valley like the morning dew

74TH YEAR NO. 50 | THURSDAY, DECEMBER 14, 1995 | Official City and County Newspaper | SCOBEY, MONTANA | Single 75¢

Over $5,000 Awarded To Area Groups Thru "Beacon"

Daniels County Beacon Foundation announced this week, the award of more than $5,000 in grants to five area community projects. The grant funds were made available to "Beacon" through the Montana Community Foundation.

The grant recipients were the Jokers Wild 4-H Club ($450), the Richland Community Club ($600), the Daniels County Library ($1,000), the Daniels County Museum/Rex Theatre ($2500) and the county Red Cross ($500).

4-H Jokers Wild Club, made up of the older group of 4-Her's from around the county area, will spruce up the fairground buildings with a fresh coat of paint using 4-H volunteers. The club proposed the project to express their appreciation for the use of the fairground buildings.

The Richland Community Club will further its effort to improve the town's softball field and park as a community project and to continue bringing summer softball back to life and increase Richland's involvement with neighboring communities.

Funds for the aforementioned projects will be used to purchase materials, all labor will be provided by volunteers.

Daniels County Museum will use its funds to help with the Rex Theatre renovation project which includes making the theatre into a year-round performing arts center. (They already have plans for a Christmas Show next year).

The Library will use the funds to establish a collection of research and informational material relating to economic development. Grant funds to the Red Cross will assist in its need to update CPR mannequins.

According to Ken Kjos, Daniels County Beacon Foundation chairman, "the ability to support community efforts through these kinds of grants is exactly what our 'Paperthon' is all about. By building our own community endowment fund, we plan to make these kinds of grants all the time, using our own money."

The "Paperthon" is the Beacon's fund-raising campaign seen weekly in the *Leader*.

Funds for these local grants came from an anonymous gift to the Montana Community Foundation (MCF), intended to be used in supporting rural communities. These funds were made available to *Daniels County*, recognizing the hard work of the Daniels County Beacon Foundation and the generosity of the area citizens.

The "Beacon Foundation" based their recommendations to MCF on several criteria. "The extent of citizen participation or community involvement in a project was the most important factor in our awards, but we also considered community need and the ability to leverage other funds.," Kjos said.

Kjos added that they anticipate making one more round of grants from these anonymous funds from MCF.

Beacon came about when MCF selected Daniels County, from a host of applicants, to become one of three Beacon Communities participating in a Ford Foundation rural initiative project.

REX THEATRE and all of Pioneer town is again lit up for the Christmas Season. Volunteers have been busy decorating— each year decorations get bigger & better.

A winter scene of people entering the old Rex will become a reality next winter as a Pioneer Town Christmas variety show is planned, following a major renovation in the coming months. They just received a $2500 grant thru Beacon & MCF towards the improvements. See elsewhere about local grants given. —Leader Photo, B

Xmas Program December 17th

There will be a Christmas Program at the Assembly of God Church, Sunday, December 17th at 6:30 p.m., in Scobey. Everyone is welcome to attend.

EXTRA COPIES of the *Leader*, current or back issues, wanted to be sent by mail, send a check, cash or stamp to the extent of $1.50 per copy, to include mailing and handling to THE LEADER, *Box 850, Scobey, MT 59263*

Judges Meeting For Speech Meet

There will be a meeting tonight (Thurs.) Dec. 14th, at 6:30 p.m., for the judges of the Speech & Drama meet on Saturday, Dec. 16th. The meeting will be in the Scobey High School Study Hall.

WEATHER

	Prec.	H	L
Dec. 6		24	-7
Dec. 7	.12	10	-9
Dec. 8	.07	-8	-21
Dec. 9		16	-22
Dec. 10	.08	-1	-15
Dec. 11	.30	-3	-8
Dec. 12	tr.	-3	-10

U.S. Weather Service Readings taken daily at the official station, located about three miles N.W. of Scobey at the Tande Ranch.

LOCAL MARKETS
Tuesday, Dec. 12, 1995

Wheat	14% protein	$4.96
Barley		$2.78

NAVAJO community Christmas party last Sunday was made special by the arrival of Santa Claus and the fact that there were some fourteen children, middle grades or younger, receiving gifts from the jolly fellow. Santa's main helper was Paul Linnell. Everyone present received candy bags, the ladies exchanged gifts and all enjoyed a bountiful pot-luck dinner.

Kids, as heads appear: Isaiah Devereaux, Cole Cook, Blane Raulston, Rachel Gunderson, Trista Devereaux, Katl Cook, Lane Raulston, Santa, Lindsay Gunderson, Laura Gunderson, and Kristen Meyers – Leader photo, MG

1995 Top Ten Taxpayers in Daniels County

as of Dec. 12, 1995

Nemont Tel & Communications	106,425.70
Burlington Northern	104,358.30
Armstrong Operating	59,778.06
Montana Dakota Utilities	38,766.35
Tades Inc.	35,788.79
Linder Wheat Ranch	30,419.37
Frederick Bros.	20,910.16
Marlenees Big Sky Ranch	20,651.70
Furuli Farms	20,287.27
Wilcoxon Bar 14 Ranch	20,050.13
Total Tax Roll	2,829,185.00
Total Collected	1,734,088.39
Second Half to Collect	1,018,850.30
First Half Delinquent	76,246.31

According to the Daniels County Treasurer and Assessor offices as of Dec. 12, 1995. This does not include the 1995 "In Lieu" money, $147,000 for state lands in Daniels County. (About sixty percent of Daniels County tax money is apportioned to the schools).

Hay Ride & Caroling In Richland

Richland Community Club is sponsoring an old fashioned hay ride and carol sing on Sunday, Dec. 17th starting at 1:30 weather permitting. Starting point and activities will be at the Richland Community Center.

A bonfire is planned and people encouraged to bring hotdogs & marshmallows to roast in the fire.

A special visitor is also expected for the kids. Everyone is welcome, see elsewhere this issue.

DATE CHANGE

The Peerless School Xmas program date has been changed to the evening of Dec. 19th. Ladies of the Peerless Legion Auxiliary are planning to muster in the School lunch room Dec. 18th at 2 p.m. to pack Xmas boxes.

FORMS for reports to the Leader on weddings or golden anniversaries always available on request. Call 487-5303, or drop in to pick one up.

Sagebrush Cellular Open House

Sagebrush Cellular is hosting a two-day open house at the Nemont Headquarters in Scobey, Wed., and Thurs. (today, Dec. 14) from 10 to 4.

Cellular telephone service for this area is expected to be "on-line" by Friday, Dec. 15th.

Sagebrush, a subsidiary of Nemont Telephone, has been hosting open houses around N.E. Montana as cellular service becomes available in that particular area.

At the open house, employees will be able to answer questions for those interested in cellular service.

DEATH NOTICE

Pansy Gunderson, 93, longtime Navajo community resident, died Tuesday afternoon at the Memorial Home in Scobey. Services will be at Redstone Methodist Church later this week. Information on day and time will be made available to KCGM radio.

BEACON COMMUNITY FOUNDATION

Pledges To The Future To Date

$73,000 $93,800 $103,800 $104,700 $120,700 $129,950

Weeks
10
9
8 $75,935.00
7 $74,285.00
6 $72,908.00
5 $71,058.00
4 $67,628.00
3 $65,902.00
2 $52,966.00
1 $50,416.00
0
Cash Pledges To Date

FOUNDATION

"PAPERTHON" - WE ❤ DANIELS COUNTY

—OUR "PAPERTHON" GOAL—

The Beacon Community Foundation is a servant organization. We are here to provide a service to, and financial support for the individuals and organizations of Daniels County by opening doors of opportunity.

It is the goal of this "Paperthon" to offer you the *opportunity* to take advantage of a matching funds grant awarded to this area by bringing you a fund-raiser that *will turn every dollar you contribute into two dollars.* One will build the endowments of your choice and the other will help build the foundation. You can match up to $117,000.

The degree to which you take advantage of this $117,000 matching funds opportunity will depend on your collective generosity and that is the amount that will establish your endowments. *After the goal of establishing these endowments is accomplished* this "community foundation" will continue into the future searching for opportunities to help your endowments grow to unlimited heights.

Community Endowments

Flaxville/Whitetail/ Pleasant Prairie	$ 28,039
Scobey/ Four Buttes / Madoc	$ 3,572
Peerless / Richland	$ 9,196
Daniels County Endowment	$ 35,128

To Pledge Call 487-2292 or 1-800-949-0816

9 a.m. to 9 p.m.
7 Days A Week
Both Are Local Numbers!

LEGEND

$ — Cash (or other Assets)
Mem. — In Memory of
Dan.— Daniels County Endowment
Cen.— Scobey/Four Buttes/ Madoc Endowment
East—Flaxville/Whitetail/ Pleasant Prairie Endowment
West— Peerless/Richland Endowment
G.— *Grain Contribution*
L. — Livestock Contribution
LI. — Life Insurance Benefit
O.P. — On Payments
W.— Bequest by Will

—How The "Paperthon" Works—

You can pledge cash (or other assets) to help start the foundation, or you can pledge money for the future through a part of your will, life insurance, trusts, etc.

Please specify which endowment or endowments you want your pledge to go to.

Each Week A Complete Listing of All Donors Will Be Published In This Ad

—FOR INFORMATION—

Call 487-2292 Wed., Thurs., Fri. 9 to 5

(Please do Not Call the 800 Number For Information)

Mailing Address • Box 726 • Scobey, MT 59263

Or Contact The Beacon Board of Directors

Ken Kjos/Chairman - Peerless	Iris Higgins/Vice-Chair-Flaxville
Wes Solberg/Sec.-Treas - Scobey	Lois Bjerke - Flaxville
Don Ole - Scobey	Louise Spagrud - Peerless
Greg Maurer - Scobey	Terry Kincannon - Peerless
Greg Wittak - Flaxville	Walter Brandt - Peerless
Merle D. Fitz - Scobey	Roger Rasmussen - Flaxville

Melissa Tade - Beacon Coordinator

A Matching Funds Grant of up to $117,000 was awarded to Daniels County by the Montana Community Foundation as part of the Ford Foundation's Rural Initiative Program.

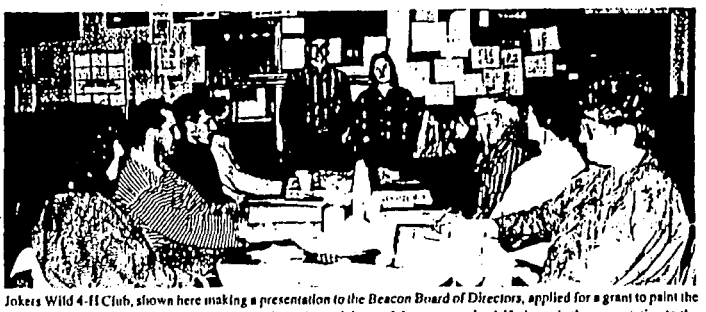
Anyone who's ever been in Scobey during Pioneer Days knows that the festivities at the D. C. Museum's Grounds, in particular the Dirty Shame Show, bring a large crowd into Daniels County. The D. C. Museum Assoc. has plans *for fixing up the Rex Theatre. Plans include making* it suitable to use year-round. This opens up endless opportunities for concerts, plays etc. The museum plans to kick-off this venture with a Pioneer Town Christmas Show, Nov. 29 thru Dec. 1, 1996. To help with the theatre renovation, Montana Community Foundation, thru "Beacon granted the Museum $2500 towards the heating & cooling system.

RICHLAND— Softball was once a very popular pastime in the area. The Richland Community Club has been bringing it back to life. The $600 grant will allow them to make needed improvements to their softball field, building an outfield fence, constructing a backstop, painting and planting new trees. This will help generate community *pride and will result in more interaction* between surrounding communities.

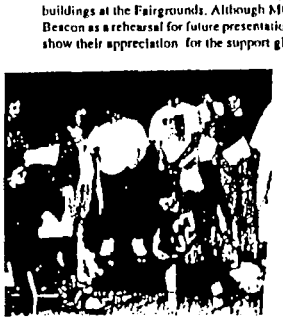
Our Area Was Chosen To Be Recipients of Another Montana Community Foundation Grant Opportunity. . .

★ ★

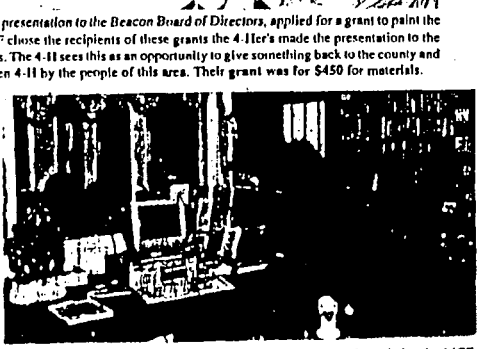
In recognition of the "Beacon's" actions so far, and the generosity of the area people, $5,050 has been awarded thru Beacon to help with the following projects! (This grant money, is above and beyond the $117,000 matching funds grant available to Daniels County!)



Jokers Wild 4-H Club, shown here making a *presentation to the Beacon Board of Directors*, applied for a grant to paint the buildings at the Fairgrounds. Although MCF chose the recipients of these grants the 4-Her's made the presentation to the Beacon as a rehearsal for future presentations. The 4-H sees this as an opportunity to give something back to the county and show their appreciation for the support given 4-H by the people of this area. Their grant was for $450 for materials.



The county Red Cross holds CPR classes in the area on an average of 15 times a year with *12 to 20 students per class* As a result, the mannequins that they use to demonstrate procedures on, need to be replaced and upgraded from time to time. They plan to put their grant of $500 towards new mannequins.

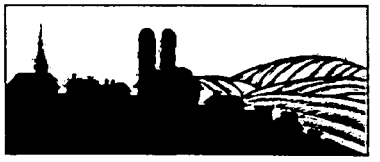


, Daniels County Library applied for a grant thru the Beacon Foundation for MCF money. They are planning to use their grant of $1,000 towards purchasing economic development, research and informational material. Publications will include information on starting and operating a small business, writing business plans, composing a resume, grant sources, marketing and advertising just to name a few. As a result of the Business Retention and Expansion survey done last spring, *the Beacon Board* recognized that easy access to this information, is a great need in our communities.

BY THE END OF THE PAPERTHON, OVER $300,000 WAS RAISED IN CASH, PLEDGES AND BEQUESTS.

TESTIMONY IN SUPPORT OF HB 434
THE HOUSE TAXATION COMMITTEE
FEBRUARY 14, 1997
MONTANA COMMUNITY FOUNDATION.
SIDNEY ARMSTRONG, EXECUTIVE DIRECTOR

****



MONTANA COMMUNITY FOUNDATION
208 N. MONTANA AVENUE, SUITE 207
HELENA, MONTANA 59601
406-443-8313 FAX 406-442-0482
E-MAIL: MCF@DESKTOP.ORG

THERE HAS BEEN A GOOD DEAL OF INFORMATION ABOUT THE TECHNICAL ASPECTS OF HB 434, AS WELL AS PROJECTIONS ABOUT HOW IT CAN HELP COMMUNITIES AND NON-PROFIT CHARITABLE ORGANIZATIONS BUILD A PERMANENT ENDOWMENT FOR LONG-TERM SUSTAINABILITY.

THE TAX CREDIT PROVIDES AN INCENTIVE TO ADVANCE THIS SUSTAINABILITY. I'D LIKE TO TELL YOU A BRIEF STORY ABOUT HOW INCENTIVES CAN INSPIRE AND MOTIVATE A COMMUNITY TO BRING PEOPLE TOGETHER TO HELP SHAPE THEIR OWN FUTURE.

WORKING WITH THE FORD FOUNDATION, THE MONTANA COMMUNITY FOUNDATION IS PART OF A NEW RURAL INITIATIVE TO DEVELOP BETTER ECONOMIC SECURITY FOR RURAL FAMILIES AND TO BUILD COMMUNITY AND ECONOMIC VITALITY.

FROM THIRTEEN APPLICANTS, WE SELECTED THREE RURAL COMMUNITIES TO PARTICIPATE IN THIS INITIATIVE: BROADUS, BROWNING AND SCOBEY. WE PROVIDED TECHNICAL ASSISTANCE AND DOLLARS FOR PROJECTS IN THESE COMMUNITIES AND REQUIRED A MATCH FROM THE COMMUNITIES TO GO INTO A PERMANENT ENDOWMENT FUND FOR THEIR AREA.

EACH COMMUNITY HAS DONE VERY WELL. IN FACT, BROADUS WAS FEATURED IN A RECENT MONTANA MAGAZINE ARTICLE AND BROWNING HAS MADE REAL STRIDES, WITH A PROJECTS INCLUDING A RECYCLING CENTER AND SUCCESSFUL FUNDRAISING, INCLUDING ART AUCTIONS AND A GRANT FROM MONTANA POWER COMPANY FOR ITS BLACKFEET COMMUNITY ENDOWMENT.

SCOBEY, WHICH EXPANDED TO INCLUDE DANIELS COUNTY HAD SEVERAL GOOD PROJECTS, BUT ENCOUNTERED OBSTACLES. THE LEADERS OF THE DANIELS COUNTY BEACON COMMUNITY FOUNDATION DECIDED TO FOCUS THEIR EFFORTS ON EDUCATING LOCAL PEOPLE, INCLUDING ATTORNEYS, CPAS, ETC, ABOUT THE BENEFITS OF A COMMUNITY FOUNDATION AND THE WAYS OF GIVING.

OVER

THEY HAD PLANNED TO CONCLUDE THIS YEAR-LONG EDUCATIONAL EFFORT WITH A "RADIOTHON," WHICH IS A TIME-HONORED WAY OF RAISING MONEY FOR COMMUNITY NEEDS IN THAT AREA. HOWEVER, WHEN THEY WERE UNABLE TO USE THIS METHOD, THEY DEVISED A TEN WEEK "PAPERTHON."

EACH WEEK THEY HAD ARTICLES ABOUT THEIR COMMUNITY FOUNDATION, ANSWERED QUESTIONS, AND PUBLISHED A LIST OF GIVERS AND PLEDGES.

BY THE END OF THAT 10 WEEK PAPERTHON, DANIELS COUNTY, WITH A POPULATION OF ONLY A LITTLE OVER 2000 PEOPLE, HAD OVER $300,000 IN CASH, PLEDGES AND BEQUESTS FOR THEIR BEACON COMMUNITY FOUNDATION !!

NONE OF THESE WERE THE PLANNED GIFTS WHICH WOULD HAVE QUALIFIED FOR THE TAX CREDIT, WHILE CONTRIBUTIONS FROM A FEW BUSINESSES WERE SMALL.

MOST CONTRIBUTIONS TO MONTANA ENDOWMENTS TEND TO BE FROM CURRENT INCOME, THOUGH TRADITIONALLY ENDOWMENTS ARE BUILT THROUGH MAJOR PLANNED GIFTS.

THIS LEGISLATION WILL PROVIDE ANOTHER TOOL AND INCENTIVE TO ADVANCE EFFORTS TO BUILD COMMUNITY ENDOWMENTS THROUGH PLANNED GIFTS. WITH THE PASSAGE OF THIS LEGISLATION, I WONDER WHAT THE NEXT "PAPERTHON" MAY BRING TO DANIELS COUNTY BEACON COMMUNITY FOUNDATION??

THE COMMITTEE'S SUPPORT OF HB 434 IS GREATLY APPRECIATED.

HOUSE TAXATION COMMITTEE

ROLL CALL

DATE OF MEETING: February 14, 1997

Name	Present	Absent	Excused
Rep. Peggy Arnott	✓		✓
Rep. Paul Bankhead	✓		
Rep. John Bohlinger	✓		
Rep. Bill Carey	✓		
Rep. Alvin Ellis, Jr.	✓		
Rep. Marian Hanson	✓		
Rep. Hal Harper	✓		
Rep. Dan Harrington	✓		
Rep. Rick Jore	✓		
Rep. Scott J. Orr	✓		
Rep. Bob Raney	✓		
Rep. Bob Ream	✓		
Rep. Sam Rose	✓		
Rep. Bill Ryan	✓		
Rep. Robert Story	✓		
Rep. Richard Simpkins	✓		
Rep. Emily Swanson	✓		
Rep. Lila Taylor	✓		
Rep. Jack Wells	✓		
Chairman Chase Hibbard	✓		

VISITOR REGISTER

HOUSE TAXATION COMMITTEE

DATE: 2/14/97

BILL NO: HB 434 SPONSOR: Rep. Hibbard

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informational	Support	Oppose
Peter J Sullivan	Western MT Catholic Foundation		X	
Greg Groepper	Energy Share		X	
~~Kacey Askin~~	~~Rocky Mtn. Christian H.S.~~		X	
~~Jeanne Hatterford~~	~~Rocky Mtn Christian~~			
Vendell Jackson	self		X	
Clark Pugh	self		X	
Glen Kahn	Gov. Task Force-Endowed Chair		X	
Eric Feaver	MEA		X	
Sue Talbot	Gov Task Force on Endowed Chair		X	
Mick Robinson	Envis Office		X	
Lesley Armstrong	MT Community Foundation		X	
James Scott	Gov. Task Force		X	
Russ Ritter	Wash. Fdn		X	
SHARON HOFF	MT Catholic Conf		X	

Please leave prepared testimony with secretary.
Witness statement forms are available if you care to submit written testimony.

VISITOR REGISTER

HOUSE TAXATION COMMITTEE

DATE: 2/14/97

BILL NO: HB434 SPONSOR: Hibbard

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informational	Support	Oppose
Steve Browning	MT Community Foundation		✓	
Cheri Sunn	Self		✓	
RALPH M YAGER	ORION		✓	
Joey McGrath	Montana Shares		✓	

Please leave prepared testimony with secretary.
Witness statement forms are available if you care to submit written testimony.

VISITOR REGISTER

HOUSE TAXATION COMMITTEE

DATE: _____

BILL NO: HB 434 **SPONSOR:** _____

NAME AND ADDRESS (PLEASE PRINT)	REPRESENTING	TYPE OF WITNESS		
		Informational	Support	Oppose
David Ottlloff	Mt Audubon		X	
Tom Hammi	MT Soc. of CPA's		X	
TOM Alfrey	GOV TASK FORCE		X	
Alvin Ellis	Red Lodge MT		X	
Keith Colb	Deaconess Bigs		X	

Please leave prepared testimony with secretary.
Witness statement forms are available if you care to submit written testimony.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By Chairman Chase Hibbard, on February 18, 1997, at 8:00 a.m., in Room 437

ROLL CALL

Members Present:

Rep. Chase Hibbard, Chairman (R)
Rep. Robert R. Story, Jr., Vice Chairman (Majority) (R)
Rep. Robert R. "Bob" Ream, Vice Chairman (Minority) (D)
Rep. Peggy Arnott (R)
Rep. Paul Bankhead (R)
Rep. John C. Bohlinger (R)
Rep. Bill Carey (D)
Rep. Alvin A. Ellis, Jr. (R)
Rep. Marian W. Hanson (R)
Rep. Hal Harper (D)
Rep. Dan W. Harrington (D)
Rep. Rick Jore (R)
Rep. Scott J. Orr (R)
Rep. Bob Raney (D)
Rep. John "Sam" Rose (R)
Rep. William M. "Bill" Ryan (D)
Rep. Richard D. Simpkins (R)
Rep. Emily Swanson (D)
Rep. Lila V. Taylor (R)
Rep. Jack Wells (R)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Services Division
Donna Grace, Committee Secretary

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 503 (2/11)
HB 465 (2/6)
HB 434 (2/5)

Executive Action: HB 434 - Do Pass as Amended
HB 433 - Table

EXECUTIVE ACTION ON HB 434

Motion/Vote:

Rep. Hibbard moved the amendments to HB 434. **EXHIBIT 8.** *{Tape: 2; Side: A ; Approx. Time Count: 22.5.}* On a voice vote, the motion passed 19 - 0.

Motion\Vote:

Rep. Hibbard moved that HB 434 as amended do pass. On a roll call vote, the motion passed 13 - 7, with Reps. Orr, Arnott, Wells, Jore, Simpkins, Bankhead and Raney voting no. *{Tape: 2; Side: A; Approx. Time Count: 32.0.}*

{Tape: 2; Side: B; Approx. Time Count: 0.0; Comments: This side of the tape was not used.}

EXECUTIVE ACTION ON HB 433

Motion/Vote:

Rep. Arnott moved the amendments of HB 433 be adopted. On a voice vote the motion passed 18 - 0. *{Tape: 3; Side: A; Approx. Time Count: 6.3.}*

Motion\Vote:

Rep. Ellis moved that HB 433 as amended do pass. On a roll call vote, the motion failed, 13 - 7, with Reps. Orr, Arnott, Wells, Ellis, Jore, Simpkins and Bankhead voting yes. *{Tape: 3; Side: A; Approx. Time Count: 21.5.}*

Motion/Vote:

Rep. Ellis moved to table HB 433. On a voice vote, the motion passed (reverse the vote).

Tape 3; Side: A; Approx. Time Count: 24.5; Comments: Adjourn.}

EXHIBIT 8
DATE 2-18-97
HB 434

Amendments to House Bill No. 434
First Reading Copy

Requested by Rep. Hibbard
For the Committee on Taxation

Prepared by Lee Heiman
February 12, 1997

1. Page 2, line 24.
Following: the first "organization"
Insert: ","
Following: "or"
Strike: ","

2. Page 3, line 5.
Strike: "an"
Insert: "a Montana incorporated or established"

3. Page 3, line 7.
Strike: "(i)"

4. Page 3, line 8.
Strike: "(ii)"
Insert: "(b)"

5. Page 3, lines 9 through 11.
Strike: "; and" on line 9 through "rule" on line 11

6. Page 3, line 15.
Following: "amount of the"
Insert: "charitable"

7. Page 3, line 16.
Strike: "fund"
Following: "that"
Insert: "may"

8. Page 3, line 20.
Following: "included the"
Insert: "full amount of the"
Following: "contribution"
Insert: "upon which the amount of the credit was computed"

9. Page 3, line 25.
Following: "credit"
Insert: "in an amount equal to 50% of a charitable gift"

10. Page 3, lines 26 and 27.
Strike: "The credit must be in accordance with the provisions of [section 2]."

11. Page 3, line 29.
Following: "liability."
Insert: "The credit allowed under this section may not be claimed

by a corporation if the taxpayer has included the full amount of the contribution upon which the amount of the credit was computed as a deduction under 15-31-114."

12. Page 4, line 6.
Following: "section"
Strike: "2"
Insert: "3"

13. Page 4, line 11.
Following: "2"
Insert: "(2)"

14. Page 4, line 16.
Strike: "general endowment fund of a"

15. Page 4, line 17.
Following: "2]"
Insert: "if the contribution is a planned gift or in [section 3] if the contribution is an outright gift to a qualified endowment"

16. Page 4, line 20.
Following: "2"
Insert: "(2)"

SENATE TAXATION

- BILL NO -	REFERRED	HEARING	OTHER CONSIDERATION DATES	EXECUTIVE ACTION/DATE/VOTE	REREFERRED	DATE READ
HB0274	VICK, STEVE 2/04	2/11	ELIMINATE CERTAIN NUISANCE TAXES, INCLUDING SMALL BUSINESS FILING FEE	CONCUR VOTE: 9-0		2/11
HB0306	CURTISS, AUBYN 3/03		COMPENSATION FOR RULE OR ORDINANCE REDUCING REAL PROPERTY VALUE	VOTE:	JUDICIARY	
HB0308	PAVLOVICH, BOB 2/11	3/04	AUTHORIZE SALE; DEFINING; TAX ON; LICENSURE FOR SALE; ETC. OF "HARD CIDER"	CONCUR AS AMENDED VOTE: 8-1		3/06
HB0311	ORR, SCOTT 2/11	3/05	TAX LIQUEFIED PETROLEUM GAS AT THE RETAIL LEVEL	CONCUR VOTE: 9-0		3/06
HB0381	HIBBARD, CHASE 2/19	3/05	REVISE TAX EXEMPTION FOR CERTAIN COMMUNITY SERVICE BUILDINGS	CONCUR VOTE: 9-0		3/12
HB0384	ELLIS, ALVIN 2/19	3/06	EXEMPT FROM INHERITANCE TAXES FAMILY BUSINESS, FARM, OR RANCH	CONCUR VOTE: 6-3		3/12
HB0434	HIBBARD, CHASE 3/11	3/20	TAX CREDIT FOR PLANNED GIFTS BY INDIVIDUALS, CORPORATIONS AND ESTATES	CONCUR VOTE: 7-1		4/10
HB0441	BANKHEAD, PAUL 2/17	3/06	PROVIDE THAT ELECTRONIC RECORDING IS TAX APPEAL PROCEEDING RECORD	CONCUR VOTE: 9-0		3/06
HB0444	WELLS, JACK 3/03	3/14	REVISE THE MODEL YEAR OF CERTAIN PROPERTY SUBJECT TO FEES IN LIEU OF TAX	CONCUR AS AMENDED VOTE: 5-4		3/20
HB0471	GILLAN, KIM 4/04	4/10	CLASS EIGHT PROPERTY TAX EXEMPTION TO SUPPORT BUSINESS DEVELOPMENT	CONCUR VOTE: 6-3		4/10
HB0516	KEENAN, BOB 3/24	4/07	REVISE PROPERTY TAX PAYMENT METHODOLOGY	TABLED ON 04/07 VOTE:		
HB0532	BARNETT, JOE 3/04	3/14	GENERALLY REVISING THE LAWS RELATING TO MOBILE AND MANUFACTURED HOMES	CONCUR VOTE: 8-0		3/17

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 20, 1997, at 8:01 a.m., in Room 413.

ROLL CALL

Members Present:
Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Meg Angell, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing(s) & Date(s) Posted: HB 555; HB 434; HB 63
Executive Action: SB 391; HB 63

HEARING ON HB 555

Sponsor: REP. DICK SIMPKINS, HD 49, GREAT FALLS

Proponents: Governor Tim Babcock
Candace Torgerson, WIFE
Bob Stephens, Montana Grain Growers
John Youngberg, Montana Farm Bureau
Don Judge, Montana State AFL-CIO
Tom Harrison, Montana Agri-Tech

Opponents: Carl Schweitzer, Montana Contractors

Informational:
Bill Salisbury, Department of Transportation

HEARING ON HB 434

Sponsor: **REP. CHASE HIBBARD, HD 54, HELENA**

Proponents:
Sue Talbot, Governor's Task Force on Endowed Philanthropy
Mick Robinson, Governor's Office
Steve Browning, Montana Community Foundation
Tom Harrison, Montana CPA's
Vern Petersen, Central Montana Foundation
Russ Ritter, Washington Corporation Foundation
John Witt, Chouteau County
Greg Grouper, Energy Share of Montana
John Delano, Citizen
Sherry Burns, Montana Bankers' Association
Clark Pyfer, East Helena Citizen

Opponents: None

Opening Statement by Sponsor:
{Tape: 1; Side: B; Approx. Time Count: 2.2; Comments: None.}

REP. CHASE HIBBARD, HD 54, HELENA, introduces the bill as the tax credit bill for endowed philanthropy. There are three criteria which must be met to qualify:

1) The gift must be irrevocable and permanent;

2) The income generated must be given in a charitable fashion, must be a 501 (c) (3);

3) It must be managed according to the "prudent person rule" which is defined in law.

This must be a planned gift. These gifts are usually given prior to death, but use of the money is available to the giver during his/her lifetime. Corporations can qualify as long as the gift is made to an endowment. Anything over $20,000 would not qualify. There are approximately 300 endowments in Montana which qualify. The bill doesn't compete with charities which do annual drives. The fiscal note is based on Michigan figures which has had this process in place for several years. The "sunset" for this bill is 12/31/2001.

Proponents' Testimony:
{Tape: 1; Side: B; Approx. Time Count: 9.6; Comments: None.}

Sue Talbot, Governor's Task Force on Endowed Philanthropy
EXHIBIT 6

Ms. Talbot says the Governor's Task Force would like to encourage Montanans to do more than just contribute to annual charity drives and states this is a powerful tool for that purpose.

Mick Robinson, Governor's Office **EXHIBIT 7**
Mr. Robinson believes this bill is an improvement over proposed 1995 session legislation. This bill focuses the tax incentive into an endowed plan. He reminds the Committee planned giving will necessitate education for the public which may mean some time lag before there is significant use of the incentive. further, he states the tax credit can benefit people of all income levels.

Steve Browning, Montana Community Foundation **EXHIBITS 8, 9 & 10**
Mr. Browning says there has been much discussion about planned giving in Montana, but there are relatively few planned gifts. He says one of the reasons is that the incentives are sometimes not strong enough. He believes the planned giving credit will likely increase state revenues.

Tom Harrison, Montana CPA's indicates CPA's are the people who are "in the trenches" on this type of philanthropy and they do a lot of the work along with tax attorneys. He proposes the Committee support this bill.

Vern Peterson, Central Montana Foundation indicates this bill would assist many people in the state; special taxing district such as rural fire districts, cemetery districts, weed districts are just a few which would benefit.

Russ Ritter, Washington Corporation Foundation indicates this legislation would give the opportunity for many good projects to be funded.

John Witt, Chouteau County Senior Citizen encourages the Committee to support this bill as it would keep money within our communities.

Greg Groepper, Energy Share of Montana states this legislation would keep programs in Montana from being eliminated when federal money runs out. He also believes this would help keep power bills down by providing Energy Share a way to benefit from private funding.

John Delano, Citizen provided his "me too."

Sherry Burns, Montana Bankers' Association indicates last sessions bill was narrowly based. The definition in this bill clarifies and expands the organizations and individuals which would qualify and benefit.

Clark Pyfer, Retired CPA **EXHIBIT 11**
Mr. Pyfer offers his support and reads a letter from Sharon Hoff, Montana Catholic Conference which indicates their support of the bill.

Opponents' Testimony: None
{Tape: 1; Side: B; Approx. Time Count: 37.8; Comments: None.}

Questions From Committee Members and Responses:
{Tape: 1; Side: B; Approx. Time Count: 37.9; Comments: Questions and responses continued on Tape 2, Side A.}

CHAIRMAN GERRY DEVLIN inquires of **REP. HIBBARD** if the predecessor to this bill was killed in Committee or on the floor. **REP. HIBBARD** says the former bill did not make it out of Committee. **CHAIRMAN DEVLIN** continues asking if people have so much expendable income there must be some they're not giving it to. **REP. HIBBARD** responds this bill differs in that those gifts were given out of current disposable income; these come from a major asset which is not disposable during an individual's lifetime.

SEN. MIKE FOSTER requests **REP. HIBBARD** provide examples of numbers which would explain further how the credit works in various situations. **REP. HIBBARD** indicates he will provide the examples which will clarify the difference between a credit and a deduction.

SEN. STANG asks **REP. HIBBARD** if we are not just giving money away to people who can afford it more than others who can't. **REP. HIBBARD** indicates planned giving has been in existence for quite some time, but not utilized much. **SEN. STANG** continues by asking if this is more of an estate planning tool. **REP. HIBBARD** says it could be used that way but in this case the beneficiary is charity. **SEN. STANG** then asks if a tax consequence is necessary to give a gift. **REP. HIBBARD** states the true value will be to make people aware of the opportunity as a relatively unknown tool.

CHAIRMAN DEVLIN inquires if one can designate anyone he/she chooses. **REP. HIBBARD** states yes, as long as the three criteria are met as outlined in his opening statement. **CHAIRMAN DEVLIN** requests the Committee be provided with the criteria for 501 (c) (3) qualification. **Mr. Browning** will provide the information.

SEN. MIKE SPRAGUE asks **REP. HIBBARD** what this bill will do to those who make their fortune elsewhere and want to give to someone in Montana. **REP. HIBBARD** indicates this bill will encourage that for people who file both in and out of state.

SEN. DOROTHY ECK also requests more information from the sponsor. **REP. HIBBARD** says he will provide the requested information.

Closing by Sponsor:
{Tape: 2; Side: A; Approx. Time Count: 16.7; Comments: None.}

REP. HIBBARD closes by stating this is the third session in which this issue has been proposed. He indicates Montanans are enthusiastic about the bill and that he believes the benefits will far outweigh the cost involved.

SEN. MIKE FOSTER or SEN. FRED THOMAS will carry the bill.

Testimony by
Sue Talbot
EXHIBIT 6
DATE 3/20/97
HB 434

Good Morning,Mr. Chairman and members of the committee. Thank you for letting me testify. My name is Sue Talbot. I am chair of the Governor's Task Force on Endowed Philanthropy.

One of the reasons I accepted that position is because in the 50's my husband was employed by the Department of Defense and we were stationed in France. When we returned after two years, we were struck by at least one thing which characterises the US. None of our French friends volunteered,as Americans do, for the charities they cared about...nor did they contribute a penny to these causes. The government provided ALL the financial support for colleges, hospitals,museums, social services! The giving of time and money by private citizens is greater in American society than anywhere in the world.

Our federal and state governments have realised how good our society is because Americans work for and give to the charities,colleges and hospitals they love...

and we get a charitable deduction on our taxes to encourage this. The Governor's Task Force would like to encourage Montanans to do more than just give to the annual drives of these institutions. We know that those institutions which wish to be strong, not just this year but in the future, will be establishing permanent endowments that insure their stability.

A powerful tool to help those endowments grow would be a tax credit for a planned gift to your local hospital, local museum, community fund. A somewhat similar provision in Michigan has been a great boost to the growth of endowments among the non-profits in that state. It has not adversely affected either the annual drives of Michigan charities or tax revenues for the state. After a preliminary trial of four years, the Michigan legislature unanimously voted to continue the tax credit.

I hope that you will also want to give this legislation a trial. Thank you.

EXHIBIT 7
DATE 3/20/97
HB 434

OFFICE OF THE GOVERNOR
STATE OF MONTANA

MARC RACICOT
GOVERNOR

STATE CAPITOL
HELENA, MONTANA 59620-0801

October, 1996

To All Interested Montanans:

In a meeting held in my home in November of 1994, community, business and civic leaders from all over the state met with me to discuss the issue of endowed philanthropy in Montana. That conversation convinced me that Montana lags behind the rest of the nation in terms of endowments to strengthen statewide community vitality.

At the beginning of 1995, I appointed the Governor's Task Force on Endowed Philanthropy to address the lack of endowed giving in Montana. Attached is a legislative proposal that the task force has been developing over the past two years. I appreciate their efforts and am pleased to support this proposal.

During the last legislature the task force developed a proposal to promote endowed philanthropy by seeking enactment of a tax credit to encourage greater giving to endowments. That proposal failed. The task force has spent the past eighteen months examining why the proposal failed and modifying it to make it more acceptable to the legislature. More importantly, a number of the improvements provide an even better incentive to promote community vitality through endowed philanthropy. Specifically, the current proposal avoids competition with fundraising for community charities, while at the same time expanding the incentive for greater savings for community endowments.

Over the past few years it has been my pleasure to visit virtually every community in Montana, and those visits, coupled with the changing levels of support by government, convince me that even greater savings will be needed to ensure the security of our communities in the future. Hopefully, the legislature will see fit to enact the attached proposal or one similar to it to provide the necessary incentives for greater community savings.

Should you have any questions, comments or suggestions on how this proposal can be improved, I would certainly enjoy hearing from you.

Thank you for your interest in the future of Montana's communities.

Sincerely,

MARC RACICOT
Governor

TELEPHONE: (406) 444-3111 FAX: (406) 444-5529

MONTANA

GOVERNOR'S TASK FORCE ON ENDOWED PHILANTHROPY

. . . Ensuring a Secure Future for Montana

CHAIR:

Sue Talbot
MT Community Foundation, Missoula

MEMBERS:

Tom Alfrey
U. S. West Foundation, Great Falls

David Auer
MT Community Foundation, Billings

Kris Backes
Plum Creek Timber Co. Foundation
Columbia Falls

Thomas Berg
United Way of Cascade County
Great Falls

Steve Browning
MT Community Foundation, Helena

Cheri Burns
MT Bankers Association, Helena

Chuck Butler
Blue Cross Blue Shield of Montana
Helena

Bill Cain
MPC/Entech Foundation, Butte

Cathy Campbell
Rancher, Wolf Creek

John Delano
MT Community Foundation, Helena

Tom Elliott
N-Bar Ranch, Grass Range

John Etchart
Andrew Malcolm
Linda Reed
Governor's Office, Helena

Alan R. Kahn
Consultant, Bozeman

Vern Petersen
Central MT Foundation, Lewistown

William B. Pratt
MT Community Foundation, Helena

S. Clark Pyfer (Advisory)
MT Community Foundation,
East Helena

Russ Ritter
Washington Foundation, Helena

Larry Robertson
Natural Resources Conservation Service
Helena

Ted Smith
The Henry P. Kendall Foundation
Boston/Polson

Jim Soft
Yellowstone Boys & Girls Ranch Foundation
Billings

Burt Sugarman
GIANT GROUP
Beverly Hills/Whitefish

Margie Thompson
MT Community Foundation, Butte

Josh Turner
Turner & Associates, Helena

Sherry Stevens Wulf
United Way, Kalispell

CONTACT:

Ti Dahlseide
Governor's Office, Helena
406-444-2436 FAX: 406-444-4339

LC No. 546

A Proposal for
ENDOWMENT INCENTIVE LEGISLATION

Background

In the fall of 1994, Governor Marc Racicot appointed a Task Force to investigate and recommend means of encouraging endowed philanthropy to serve the future needs of Montana's citizens. During the 1995 legislative session, the Task Force sponsored legislation calling for a credit against state income taxes for contributions to certain endowments. The proposed legislation failed, but since then, much time and study has been spent reviewing whether and what type of tax incentive might be effective, as one of several components, to encourage endowed philanthropy in Montana. As a result, the Task Force is recommending to the Governor and the next Legislature that a tax incentive be enacted.

The following proposal, which retains the support of the Governor and the Montana Department of Revenue, incorporates many of the suggestions made by Montanans to earlier drafts.

Recommended Endowment Incentive

A credit against Montana income taxes due would be computed in the amount of 50% of qualifying contributions, up to a maximum $10,000 credit per year per individual for a qualifying *planned gift* and a credit of equal size for an outright gift by an estate or corporation. Qualifying charitable contributions, under the Internal Revenue Code, would be defined as a *planned gift* to any qualified endowment. A qualified endowment would be defined as the endowment fund of any organization incorporated in Montana or established primarily for the benefit of Montana citizens or groups and certified as tax exempt by the Internal Revenue Service. Further, a qualified endowment must satisfy the following three conditions to qualify for the recommended tax credit: 1) the endowment must be irrevocable and permanent, 2) the income granted from the endowment must be directed to recipients in a manner that qualifies for tax deductibility as a charitable contribution, under the Internal Revenue Code, and 3) the endowment's principal, revenue and disbursements must be managed in a manner that guards against erosion by meeting the prudent investor rule.

DISCUSSION

1. Q: *Why is the tax credit being proposed?*
   A: To encourage the establishment and/or enhancement of permanent endowment funds to benefit Montanans.

2. Q: *Specifically, what kind of planned gifts are there and which type qualify?*
   A: As discussed above, the *planned gifts* must be irrevocable and qualify as charitable contributions under the Internal Revenue Code. Further, the document of conveyance and/or acceptance must explicitly restrict the *planned gift* to endowment of the qualifying organization.

   Planned gifts meeting the above criteria could include:
   - Charitable Remainder Unitrusts
   - Charitable Remainder Annuity Trusts
   - Pooled Income Fund Trusts
   - Charitable Lead Unitrusts
   - Charitable Lead Annuity Trusts
   - Charitable Gift Annuities
   - Deferred Charitable Gift Annuities
   - Life Estate Agreements
   - Paid up Life Insurance Policies

   Generally speaking, the above *planned gifts* are used by individuals to make an irrevocable commitment of a principal asset for the future (and sometimes immediate) benefit of charity. In most *planned gifts*, the donor retains the use of asset during his lifetime usually because he can't afford to forfeit the earning power of the asset. Tax incentives, such as the proposed credit, induces individuals to make substantial irrevocable *planned gift* "commitments" now to future endowments, thus helping to grow Montana philanthropy.

3. Q: *What is an endowment and why is it important to enhance endowment giving in Montana?*
   A: An endowment is a permanent fund held by a tax exempt organization where the principal of the fund is not expendable. Only the interest and appreciation earned in an endowment fund can be used for current operations. Endowments are established to help Montanans and meet long-term needs, such as providing a permanent source of funds where the earnings can be used to meet future community needs (for education, arts and culture, social services, economic development, health care, etc.).

4. Q: *Why should planned gifts to endowment funds, as opposed to gifts to annual and other charitable fundraising, be singled out for the credit?*
   A: There are already effective tax incentives for gifts to annual and other charitable fundraising. The Task Force believes that the proposed credit will encourage additional planned giving to permanent funds thereby generating income to supplement funds needed for future operating needs and that this additional giving will not detract from the immediate operating funding needs of Montana's charities.

   Endowments are funded primarily by estate bequests and *planned giving*. Annual gifts meet current needs and tend to fall within a predictable dollar range, while contributions to endowments tend to be larger gifts, often made in conjunction with *planned giving* and estate planning. Endowments also can heighten public confidence in an organization and spur increased giving for current needs. Moreover, *planned gifts* often increase spendable income (which, by the way is taxable and thus a "revenue generator" for government) enabling the donor to have extra income out of which they frequently increase their giving to annual campaigns for current needs. For example, when the State of Michigan enacted a tax credit for gifts to charitable endowments, two independent evaluations found no negative impact on United Way giving in Michigan. In fact, annual giving to United Way actually increased.

5. Q: *How does this proposed tax credit differ from the previous proposals by the Governor's Task Force on Endowed Philanthropy?*

   A: It differs in two significant ways. First, the tax credit is no longer restricted to gifts to community foundations. A second major difference is the Task Force's increased emphasis on *planned giving* and its growing concern for the need to maintain current giving. The earlier proposals would have provided tax credits to individuals who might make relatively small contributions ($500 or less) to relatively larger endowments in community foundations. This proposal seeks instead to encourage relatively larger planned gifts (i.e., transfers of savings that were created for either retirement support or testamentary transfer) to relatively smaller public and private tax exempt endowments. The purpose is the same: to increase endowed philanthropy in Montana, but the means are quite different: to encourage greater planned giving in Montana to charitable endowments, without adversely impacting current giving.

6. Q: *Can this credit benefit taxpayers of all income levels?*

   A: Yes. Planned giving is an option available to all taxpayers and it is realistically usable by many if not most of Montana's taxpayers. Planned giving deals with saved assets: homes, personal property, pension funds, etc. Many Montanans own such assets later in their lives at a time when they might consider making a *planned gift* to a charity. However, such giving often does not occur simply because taxpayers are accustomed to making gifts out of income only and not from principal assets. The task force believes that a tax incentive, such as the proposed credit, would provide the necessary additional incentive for taxpayers to consider making a *planned gift* to a qualified endowment out of principal assets which is the primary source for endowment.

7. Q: *Why do we need more and larger endowments?*

   A: The needs of all Montana's communities are increasing while resources to help are diminishing. At the same time, government at all levels is shifting responsibility to local communities and many Montana communities lack the resources to assume these additional responsibilities. They lack the permanent endowments, common in most other states, that can provide a perpetual funding stream for charitable purposes and create a cushion against catastrophe. Expanded permanent endowments can help communities achieve the financial security to devise and implement their own best strategies and solutions, serving as a buffer for maintaining essential services in lean years and enabling communities to begin planning ahead, instead of operating hand-to-mouth.

   In addition to aggregating money, endowments also enable donors to accomplish their charitable goals in communities they know and love; they create and nurture community leadership, and they enable local people to allocate community resources to serve locally determined priorities. Endowments offer a tangible way of enlarging the charitable pie rather than continuing to argue about how thinly it might be sliced.

8. Q: *What is the status of endowed philanthropy in Montana?*

   A: No matter how you measure endowed philanthropy, Montana ranks near the bottom of the 50 states. Montana is home to less than three-hundredths of one percent of all U.S. foundations. We rank 48th in the nation in foundation assets and 49th in foundation giving. Despite our relatively small population (ranking 44th in the nation), demographic and income data suggest that the number and size of our foundations should be significantly greater.

EXHIBIT 8
DATE 3/20/97
HB 434

TESTIMONY
AS PROPONENT
OF HOUSE BILL #434

Mr. Chairman, in this session of the Legislature, HB#434 seeks to provide Montana charities (which lag far behind charities in nearly all other states in charitable endowments) the means to develop important endowments for the purpose of meeting the charitable needs of Montanans and, in doing so, lessening the burden of government.

As a member of The Governor's Task Force on Endowed Philanthropy and as one who has spent 25 years in the charitable sector in fund development (Executive Vice President for the Yellowstone Boys & Girls Ranch Foundation) it is my sincere belief that HB#434 will indeed serve as an encouragement to Montanans to commit significant capital gifts to charitable endowment funds in Montana. Let me quickly add that currently, in many cases, a significant portion of such capital assets are ultimately "lost" to the Federal government through the highly erosive Federal Estate Tax. The tax incentive of HB#434 would encourage Montanans to keep their "Social Capital" (ie. that part of their estate that would otherwise go to federal death taxes) in Montana through the implementation of the various charitable planned giving vehicles outlined in the bill.

Although an understandable concern has to do with the "revenue loss" of such a tax credit bill, it should be noted that the effect of such a bill will, in many instances, generate revenues. For example...

The wealth of many Montanans (especially those in their retirement years) is comprised of highly appreciated real estate. Unfortunately, the rate of return on their land is nominal at best (ie. 1-2%). Montanans are reluctant to sell their property due to the highly erosive federal capital gains tax consequences they would experience. So, the land is leased and the taxable revenues for Montana, generated from the lease, are meager at best.

However, HB#434 would serve as an incentive for those very people to give their property to a planned giving endowment vehicle (such as a charitable trust) whereby the trust would sell the land, avoid all capital gains tax, and increase their total rate of return by seven to ten times...which, by the way, would be taxable thus generating more revenues for the State!

It is my belief that such legislation could produce a rare economic win, win, win situation. The taxpayer wins (ie. increased spendable income), Montana charity wins (the endowments created enable Montana charities to carry out their respective missions more efficiently) and, in many cases, the Department of

Revenue will win (by taxing the greater spendable income). And, as stated above, such legislation will keep Montana "Social Capital" (ie. estate taxes) in Montana for Montanans.

In HB#434 the legislature (ie. the public sector) would, in effect, be challenging the people of Montana (ie. the private sector) to contribute to charity (ie. the independent sector) in such a way that for every dollar of forgone revenues attributable to the credit (which could very well be recovered by the increase in taxable spendable incomes), a likelihood of ten or more dollars will ultimately be put to work through the charitable sector addressing the social, cultural, and educational issues Montana currently faces and will face in the future.

Such an approach recognizes the importance each sector plays in Montana's future and represents a complimentary way to work together in the best interest of Montanans. HB#434 is good law and I respectfully request your votes of endorsement.

I would be pleased to respond to questions you may have. I can be reached by phone at 1-800-879-0850 during the day or at 406-245-3185 in the evenings

Respectfully submitted,

James C. Soft

James C. Soft
Executive V. P. Yellowstone Foundation
Montana Task Force for Endowed Philanthropy
Charitable Consultant

EXHIBIT 9
DATE 3/20/97
HB 434

TAX CREDIT
REVENUE "LOSS" EXAMPLE
(facts and assumptions)

Phil, (a Montana farmer), age 70, decides it "time to quit." So, he visits his accountant to talk about the sale of his $350,000 farm to a neighbor.

When his accountant tell him that a sale of his farm would result in a near $90,000 capital gains tax (his cost basis is $50,000) he decides to lease his place to his neighbor instead. So he settles for a 2% total rate of return from the lease to avoid paying the capital gains tax which will be eliminated at his death (ie. a "step up" in basis). As a result, Montana loses tax revenues on the lesser income generated by the lease.

When Phil learns of a tax credit available to him if he gives his farm to a charitable trust, he also learns that current tax law allows the trust to sell the farm avoiding all capital gains tax because the trust assets are ultimately passing to charity. Further, he learns the trust will pay him 8% (four times as much as the lease income) so he gives the farm to charity (ie. a charitable trust) and quadruples his spendable income which, by the way, generates tax revenues for Montana. A not so untypical Montana farmer becomes Phil N. Thropist!!

The tax credit and charitable deduction will generate some immediate revenue loss, however, over the life expectancy of Phil N. Thropist (16 years), the tax revenues from the higher trust income could exceed the lost revenues (see following example)! Further, Montana will enjoy the impact of Mr. Phil N. Thropist's trust since it will create an endowment that will benefit Montana charity in perpetuity!

House Bill 434 will encourage Montanans with low basis, low yielding, highly appreciated assets to become philanthropists by placing those assets in a charitable trust thus increasing spendable (taxable) income along the way. The taxpayer wins (more spendable income), Montana charity wins (thus lessening the burden of government) and, in many cases, the Department of Revenue will win (by taxing the greater spendable income). Further, potential "Montana Social Capital" (ie. federal tax dollars that will go to Washington through the estate tax) will remain in Montana for Montanans!

Governor's Task Force On Endowed Philanthropy

TAX CREDIT
REVENUE "LOSS" EXAMPLE

	FARM GIFTED TO CRT	FARM KEPT INTACT
FOREGONE REVENUES:		
-from credit	$10,000[1]	$0
-from deduction	$13,687[2]	$0
total revenue "loss"	$23,687	$0
REVENUE GAIN:		
-from tax on trust income vs. farm income	$53,154[3]	$12,320[4]
NET REVENUE GAIN:	$29,647[5]	$12,320

[1] From House Bill 434

[2] $144,431(charitable deduction) - $20,000 (credit limit) x 11% (top Montana tax bracket) = $13687.

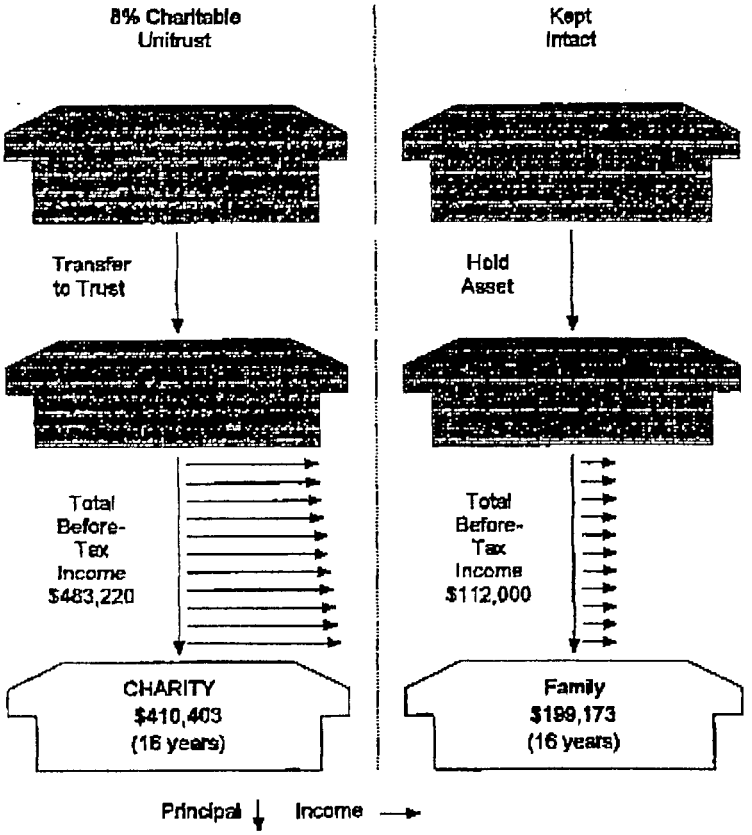
[3] $483,220(taxable income stream from trust over donor life expectancy) x 11% = $53154.

[4] $112,000(taxable income stream from farm lease over life expectancy) x 11 % = $12,320.

[5] $53,154 - $23,687 = $29,467.

Life Income Projections
Comparison of Benefits

ASSUMPTIONS:
Projection begins in 1997 and runs for 16 years.
Measuring life age 70.
Original principal is $350,000. Cost basis is 14.29%.
Current income from funding asset is 2%.
Donor income tax bracket is 31%, 28% for capital gains.
Beneficiary income tax bracket is 31%, 28% for capital gains.
Further information on income and capital appreciation assumptions can be found on the Detailed Cash Flow Analysis.
For more information, see Estate Plan with Life Income Plan.



Prepared for MR. PHIL N. THROPIST
Prepared by ENDOWED PHILANTHROPY TASK FORCE

February 19, 1997
Discount Rate is 7.6%

CHARITY

Life Income Projections
Cash Flow Comparison

ASSUMPTIONS:
Projection begins in 1997 and runs for 16 years.
Measuring life age 70.
Original principal is $350,000. Cost basis is 14.29%.
Donor income tax bracket is 31%, 28% for capital gains.
Beneficiary income tax bracket is 31%, 28% for capital gains.
Further information on income and capital appreciation assumptions can be found on the Detailed Cash Flow Analysis.
For more information, see Estate Plan with Life Income Plan.

	Charitable Unitrust 8%		Kept Intact	
YR	Year-End Principal	Before-Tax Ben. Inc.	Year-End Principal	Before-Tax Ben. Inc.
97	$350,000		$350,000	
98	353,500	$28,000	350,000	$7,000
99	357,035	28,280	350,000	7,000
00	360,605	28,563	350,000	7,000
01	364,211	28,848	350,000	7,000
02	367,854	29,137	350,000	7,000
03	371,532	29,428	350,000	7,000
04	375,247	29,723	350,000	7,000
05	379,000	30,020	350,000	7,000
06	382,790	30,320	350,000	7,000
07	386,618	30,623	350,000	7,000
08	390,484	30,929	350,000	7,000
09	394,389	31,239	350,000	7,000
10	398,333	31,551	350,000	7,000
11	402,316	31,867	350,000	7,000
12	406,339	32,185	350,000	7,000
13	410,403	32,507	199,173	7,000
TOT	410,403	483,220	199,173	112,000

Prepared for MR. PHIL N. THROPIST
Prepared by ENDOWED PHILANTHROPY TASK FORCE

February 19, 1997
Discount Rate is 7.6%

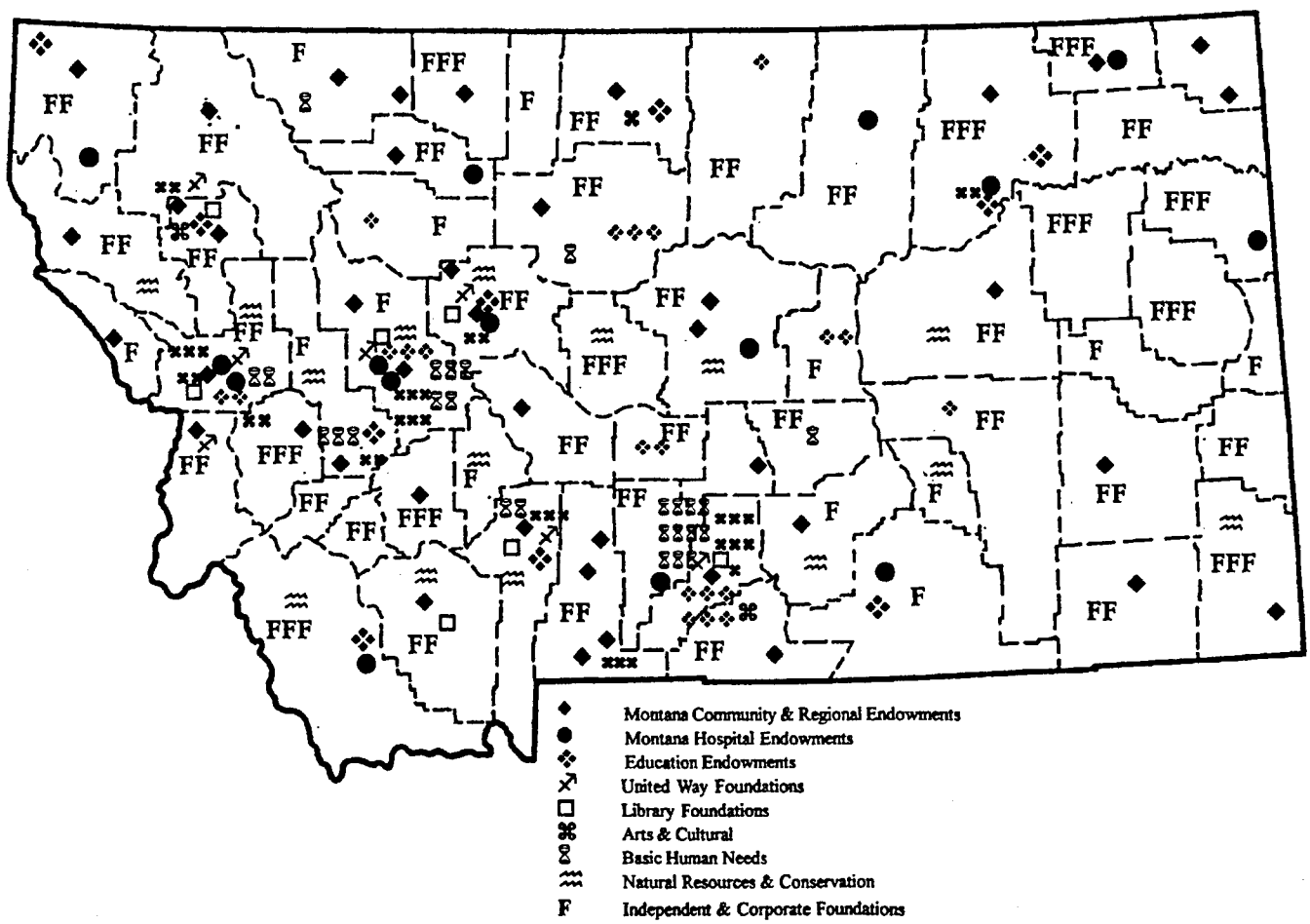
EXHIBIT 10
DATE 3/20/97
HB 434

Montana Endowments

The following information is designed to show examples of Montana endowments and how the tax credit for endowed philanthropy could enhance endowment development in Montana. The over 300 endowments list inside and indicated on the map below, show the diversity of permanent funds working for Montana's future and strengthening statewide community vitality. Permanent endowments offer communities the opportunity to acheive greater financial security through earnings that can help meet future financial needs.

The proposed legislation provides a credit against Montana income taxes in the amount of 50% of qualifying contributions, up to a maximum of $10,000 credit per year per individual. Planned gifts are irrevocable and include such things as: Charitable Remainder Unitrusts and Annuity trusts; Pooled Income Fund trusts; Life Estate Agreements; Paid up Life Insurance Policies; Deferred Charitable Gift Annuities; Charitable Lead Annuities and Unitrusts. The four examples of charitable giving illustrate how the tax credit could impact different scenarios.

The Governor's Task Force on Endowed Philanthropy, along with supporters from a number of charitable organizations throughout Montana, encourage the Montana Legislature to enact the proposed tax credit legislation to provide critical incentives for better community savings.



62

Montana Community Endowments ◆

Beartooth Regional Fund
Blackfeet Community Fund
Broadview Community Centennial Fund
Broadwater County Community Fund
Butte-Silver Bow Community Fund
Carter County Fund
Cascade County Community Fund
Central Montana Community Foundation
Custer County Community Fund
Daniels County Beacon Foundation
Eastern Plains RC&D Fund
Fergus County Community Fund
Flathead County Community Fund
Gallatin County Community Fund
Hill County Community Fund
Lake County Community Fund
Lewis & Clark County Community Fund
Lincoln County Community Fund
Lincoln Community Fund
Livingston Community Fund
Lower Yellowstone Rural Electric Assoc. Fund
Mandala Fund (Mineral County)
Meagher County Fund
Missoula County Community Fund
Park Electric Co-op Fund
Pondera County Community Fund
Power River Community Development Fund
Sanders County Community Fund
Sheridan County Community Fund
Sheridan Electric Co-op Fund
Stevensville Community Foundation
Toole County Community Fund
Upper Missouri G&T Electric Co-op Fund
Valley County Community Fund
Whitefish Community Foundation
West Yellowstone Foundation
Yellowstone County Community Fund

Regional Funds

(Unrestricted funds for the general benefit of regions)
ARCO Rural Development Fund-Five Valleys, Gold & Mountain Regions
C.M.Russell Regional Fund
Five Valleys Regional Fund
Glacier Regional Fund
Greater Yellowstone Regional Fund
Mountain Regional Fund

Hospital Endowments ●

Barrett Memorial Hospital, Dillon
Big Horn County Memorial, Hardin
Central MT Medical Center, Lewistown
Columbus Hospital, Great Falls
Community Memorial Hospital, Sidney
Community Medical Center, Missoula
Daniels Memorial Hospital, Scobey
Frances Mahon Deaconess, Glasgow
Phillips County Hospital, Malta
Pondera Medical Center, Conrad
Shodair Hospital, Helena
St. John's Luthern Hospital, Libby
St. Patrick's Hospital, Missoula
St. Peter's Hospital, Helena
Stillwater Community Hospital, Columbus

Charitable Remainder Trust

Annabelle Smith is a 77 year old retired schoolteacher. She has a comfortable retirement and an IRA worth $50,000. She also has a small portfolio of highly appreciated growth stocks (which yield only a very small dividend) worth about $60,000. She is unmarried and her closest relative is her niece who is her beneficiary designee on her IRA. For many years she has worked as a volunteer at her local humane society and she would very much like to remember this charity generously when she is gone. In visiting with her financial and legal advisors, she learned that she could increase her spendable income by creating a charitable trust funded with her portfolio assets, name the humane society as the ultimate beneficiary, and create an endowment at the society in her honor. In addition, to her increase in income, such an irrevocable decision would also enable her to claim a one time $10,000 tax credit on her state income tax return in the year the trust is established.

United Way Foundations ↗

Cascade County United Way
Flathead County United Way
Gallatin County United Way
Lewis & Clark County United Way
Missoula County United Way
Yellowstone County United Way

Library Foundations □

Billings Parmly Public Library Fund
Bitterroot Public Library
Bozeman Public Library Fund
Flathead County Library Fund
Great Falls Public Library Fund
Lewis & Clark Public Library Fund
Madison Valley Public Library Fund, Ennis
Missoula Public Library Fund

Arts and Culture Foundations ⌘

Alberta Bair Theater: Dance, Education & Operations Funds, Billings
The William E. & Pauline K. Allen Charitable Remainder Trusts for the benefit of the Helena Symphony, Holter Museum, & Myrna Loy Center, Archie Bray Foundation, Helena
bellissimo! Fund, Billings
Bigfork Center for the Performing Arts Fund
Billings Studio Theatre
Billings Symphony Fund
Butte Center for the Performing Arts Fund
Clack Museum, Havre
C.M.Russell Museum Fund, Great Falls
Custer County Arts Center
John Ellis Fund (Liturgical Music), Missoula
Emerson Cultural Center/Beall Park Art Center Fund, Bozeman
Fort Peck Fine Arts Council
Fort Peck Theatre Preservation Fund
Gallatin County Historical Society
Glacier Orchestra & Chorale Fund, Kalispell
Grand Street Theater Fund, Helena
Great Falls Symphony Association Fund
Hockaday Center for the Arts Fund, Kalispell
Helena Arts Plus Fund
Heritage Park Fund, West Yellowstone
Holter Museum Fund, Helena
International Choral Festival Fund, Missoula
MCT Community Arts Fund, Missoula
Missoula Museum of the Arts Foundation Fund
Missoula Symphony
Montana Repertoire Theatre
Moss Mansion Fund, Billings
Museum of the Rockies Fund, Bozeman
Myrna Loy Center Fund, Helena
Pamelia Endowment Fund, Statewide
Pat Lilly Memorial Art Gallery Fund, West Yellowstone
Pioneer Cabin Fund, Helena
Sandra Snyder Banks Fund for the Yellowstone Arts Center, Billings
Shakespere in the Park
West Yellowstone Historical Society Fund
Western Heritage Center, Billings
World Museum of Mining Fund, Butte
Yellowstone Art Center Fund, Billings

Education ❖

Billings Public Education Foundation: Unrestricted Fund; Jim Rickard Staff Development Fund; Science Fund & Scholarship Funds-Roger F. Eble, Peter Yegen, Jr.
Carroll College Endowment, Helena
College of Great Falls Fund
DADCO Continuing Education Memorial Scholarship Fund
Flathead Valley Community College Fund
Fritz Wipplinger Scholarship Fund, Lake & Sanders Counties
Fort Peck Community College Fund
Glasgow Elks Lodge #1922 Scholarship Fund
J.O. Thoreson, Broadview Scholarship Fund
Karl I. Deshler Fund, Butte

Paid Up Life Insurance

David and Wilhelmena Jones are both retired. They are 67 years old and have two grown children. They would like to leave the bulk of their estate, which is sizeable, to these children. They would like to also give a generous contribution to the local hospital where David was so well cared for during a recent surgery. They have a paid-up life insurance policy on David's life (with a current cash value of $10,000) which they are considering gifting to the hospital. A transfer of ownership of the policy to the hospital, restricted for endowment purposes, would generate a $5,000 credit on their tax return in the year the irrevocable transfer is made.

Little Big Horn College Fund
Margaret Deshler Fund, Butte
Margaret Rigby Class of 1956 Memorial Scholarship Fund, Billings
Meagher Co. Historical Association Fund
MT Nurses Association Education & Research
MT Nurses Association History & Literary Fund
MT Professional Photographers Association Scholarship Fund
Montana Tech Fund, Butte
Montana State University Fund, Bozeman
MSU - Eastern Fund, Billings
MSU - Northern Fund Havre
Rocky College Fund, Billings
University of Montana Fund, Missoula
UM-Western Fund, Dillon
Native American Scholarship Fund
Owen Sowerwine Foundation Fund, Kalispell
PeeWee Weber Scholarship Fund (Helena Kiwanis)
Pioneer Kiwanis Club Fund, Billings
Plymouth Christian Education Fund, Helena
Robert & Lillian Tirrell Scholarship Fund, Billings
Robertson Family Memorial Scholarship Fund, Judith Gap
Sam & Hulda Clark Scholarship Fund, Golden Valley County
St. Labre School Fund
Sweetgrass County High School Centennial Scholarship Fund
Winston & Helen Cox Fund
Wyman Family Memorial Scholarship Fund, Phillipsburg

Basic Human Needs

Arthritis Support Fund
Billings Exchange Clubs-Dress a Child Fund
Billings YWCA Fund
Butte Family YMCA Fund
Children's Fund, Billings
Concern for the Aged Fund, Billings
Deshler Family Fund, Butte
Disadvantaged Children's Fund, Billings
Friends of Reach Fund, Bozeman
Fund for Women
Gallatin Hospice Fund, Bozeman
Helena Babe Ruth Association Fund
Helena YMCA Fund
Helena YWCA Fund
M.F. & Doris E. Mueller Fund, Missoula
Montana Youth Homes Resources Fund
Northern Rockies Cancer Center Fund, Billings
Orthopedic Support Fund, Billings
Pediatric Family Center of Montana Fund, Billings
Pondera Medical Center Fund, Conrad
Earl Reilly Memorial Fund (MT. Senior Citizens)
David F. Sloan Memorial Burn Foundation Fund, Billings
Special K Ranch Fund, Billings
Linda Swab Fund, Missoula
Westmont Fund, Helena
Young Families Program Fund, Billings

Natural Resources & Conservation

Alternative Energy Resources Organ. Fund
Big Hole River Foundation
Ray Doig Memorial Fund, Townsend
Forever Wild Fund
Great Falls Community Beautification Fund
Madison-Gallatin Wild Trout Foundation
Matthew Hansen Fund
Montana Conservation Corps Fund
Montana Natural Resources Foundation
Orion-The Hunter's Institute Fund
Power -Tobin Historical Preservation Fund
"Punk" Ward (Montana Club) Fund, Helena
Rocky Mountain Elk Foundation
Soil & Water Conservation Society Fund
Wild Country (American Wildlands) Fund

Big Sky International Air Show Funds

Al Bedoo Black Horse Patrol
Al Bedoo Greeters Transportation
Al Bedoo Oriental Band
Alternatives, Inc.
Animal Welfare League
Aquatic Club
Big Brothers & Sisters of Billings
Billings Area Lions Club, Jaycees, Workshop Funds
Billings Boys & Girls Club
Breakfast Exchange Club
Deaconess Medical Center
Elks Booster
For Kid's Sake
Foster Grandparents
Friendship House
Growth Thur Art
Heights Exchange Club
Horizon Home
Masonic Youth
Mental Health Association
R.O.S.E.
Riverside/Westend Optimists
St. Vincent Hospital Children's & Health Center Funds
Sacred Heart Loyalty Association
Soroptomist Club
Telephone Pioneers Fund
Youth Dynamics, Inc.
Zoo Montana

Other Endowment Funds

American Indian Institute Fund
Big Sky Girl Scout Council Fund
Browning, Kaleczyc, Berry & Hoven Fund Eck Family Fund
Fund for the 22nd Century
Harriet Barer Memorial Cemetery Fund
Helena Chrysler Nissan Employee-Customer Fund
Lee Foundation Unrestricted Endowment
Lewis & Clark Humane Society Fund, Helena
Merrill Lynch Fund
Shirley McShane Miller Fund
MT Community Foundation Unrestricted Fund
MT Community Foundation Seed Fund
Montana Council, Boy Scouts of America Fund
Montana Grains Foundation Fund
Montana Renaissance Fund
C. Eugene Phillips Memorial Fund
Race to the Sky Fund
Rural Development Fund
Veck Fund

Independent & Corporate Foundations

MPCo/Entech Foundation, Butte
Charles M. Bair Memorial Trust, Billings
Montana Community Foundation, Helena
Dennis & Phyllis Washington Foundation, Missoula
First Interstate BancSystem Foundation, Billings
Sample Foundation, Billings
The Heisey Foundation, Great Falls
Lloyd D. Sweet Foundation, Chinook
Gladys E. Knowles Charitable Memorial Trust, Billings
Haynes Foundation, Helena
Charles W. & Gina S. Lippard Foundation, Great Falls
The Tomorrow and You Foundation, Great Falls
Dufresne Foundation, Great Falls
Rudy Suden Scholarship Trust Fund, Great Falls
Cobb Foundation, Great Falls
Sands Memorial Foundation, Havre
Treacy Company, Helena
Olive Rice Reiserson Foundation, Helena
Ila B. Dousman Fund, Missoula
Tracy Foundation, Columbia Falls
Livingston Community Trust
Jane Buttrey Memorial Trust, Great Falls

Land

Frank and Marilyn Johnson are grandparents who are 65 years old. They have three grandchildren. Frank made a very fortunate purchase of land at a very low basis which has subsequently grown three-fold. There would be a very high capital gains tax if he were to sell the land. Frank and Marilyn wish to donate to the local community college where both they and their children are alumni. By setting up a charitable remainder trust with the land, Frank will have a guaranteed income from it to help support his grandchildren at the same local community college. At the same time, he will be helping the college and his tax bill.

Helen S. Davis Scholarship Trust No.3, Helena
The Cinnabar Foundation, Bozeman
Johansen Foundation, Whitefish
George M. Harris & Faye Tabor Harris, Helena
Joseph N. Blankenbaker Charitable Trust, Great Falls
Susan Scott Heyneman Foundation, Billings
Ralph H. Foss Memorial Trust, Billings
John W. McKee Educational Trust, Great Falls
Roberts Family Memorial Fund, Great Falls
Bert Elliott Trust, Hardin
George & Laurine Harris Charitable Trust, Great Falls
Cora Rust Owen Memorial Trust, Helena
L.P. and Teresa Anderson Foundation, Miles City
Marshall and Mary Brondum Assistance Foundation, Missoula
W.J. Gallagher Foundation, Missoula
Omega Foundation, Billings
Schilling Family Foundation, Helena
George M. & Florence M. Clarkson Scholarship, Polson
Leonhardt Foundation, Bozeman
Melvin Gay Citizenship Incentive Trust, Great Falls
Fred & Marie Barnard Scholarship Fund, Great Falls

Independent & Corporate Foundations *continued*

Griffis Scholarship Foundation, Kalispell
Ray & Nell Johnson Scholarship Fund, Helena
Eve Weaver O'Connell Memorial Scholarship, Helena
Henry Stanley & Marie Adele Percival Scholarship, Helena
Lair Family Foundation, Billings
John A. Johnson Scholarship Foundation, Helena
Rapp Family Foundation, Inc., Corvallis
Leuthold Foundation, Billings
Lucille McD. Logan Charitable Trust, Bozeman
Jessie Bayha Scholarship Fund, Helena
Forever Wildlife Foundation, Big Sandy
W-1000 Trust, Billings
Preston Benevolent Fund, Inc., Missoula
John S. Skranak Foundation, Helena
John Papazian Educational Assistance Trust, Great Falls
Mars & Verna Rolfson Scholarship Trust, Polson
Fred L. Robinson Fund, Malta
George W. Wilson Trust, Shelby
Pioneer Memorial Scholarship Fund, Helena
George and Blanche Taber Scholarship Trust, Polson
James E. Murphy Legal Scholarship Foundation, Kalispell
Verna I Rudman Charitable Trust, Great Falls
Owen E. Sowerwine Foundation, Kalispell
Andrew & Paulette Laszlo Foundation, Billings
Edna M. Ogline Charitable Trust, Great Falls
Ashcraft Foundation, Inc., Sidney
Paulus Foundation, Billings
Larson-Weber Memorial Scholarship Fund, Thompson Falls
Nashua Alumni Memorial Scholarship Trust, Great Falls
Dru Allison Cederberg Foundation, Billings
Grace Miller Crumley Trust, Billings
Joel & Andrea Long Charitable Foundation, Billings
Montana Foundation, Billings
John L. & Marilyn J. Olson Family Foundation, Sidney
Groskinsky Foundation, Sidney
Svarre Foundation, Sidney
Henry Elm Trust, Sidney
Peter Nelson Foundation, Helena
Bertram & Alta Heartt Hochmark Scholarship, Helena
Demolay Memorial, Inc., Great Falls
Beaverhead Foundation, Dillon
Nibs & Edna Allen Foundation, Miles City
Bertram Hochmark Memorial Trust, Helena
Darkenwald Foundation, Inc., BigFork
First Interstate Foundation, Inc., Kalispell
Burke Family Foundation, Butte
J.A. McGowan Foundation, Plains
Thor Svenby-Sophia Johnson Scholarship Fund, Great Falls
SJL Foundation, Billings
Hawkins Scholarship Foundation, Kalispell
Broadbent Family Foundation, Livingston
First Interstate Banks of Billings Centennial Youth, Billings
Jack W. Thompson Foundation, Helena
Edward P. Maronick Charitable Foundation, Helena
Williams Sears Foundation, Superior

Residence

Marian White is a widow with an adequate income, enough liquid assets to leave a generous estate to her children and an attractive house in a good neighborhood. Her children have indicated that they do not wish to inherit the house. Marian would like to leave the house upon her death to her local United Way. The present value of the home is $126,000. By creating an irrevocable life estate destined for endowment, she will be able to continue to live in her home during her lifetime, experience the satisfaction of making a substantial gift to charity, and enjoy the savings from her $10,000 tax credit (which, since she doesn't need the extra income, will enable her to make additional outright gifts to the United Way, the YWCA, and to family).

We know there are many more Montana endowments supporting local communities.

Please contact the Governor's Task Force on Endowed Philanthropy at 406.442.9511 to add an endowment, so we can compile a comprehensive list.

Thank you.

1-6-96

Montana Catholic Conference

EXHIBIT 11
DATE 3/20/97
HB 434

March 20, 1997
Testimony - HB-434 - Tax Credit for Planned Gifts

TO: Chairman Gerry Devlin and Members of the Senate Taxation Committee

Mr. Chairman, members of the committee, for the record, I am Sharon Hoff, Executive Director, Montana Catholic Conference. I act as liaison for Montana's two Roman Catholic Bishops on issues of public policy.

The Montana Catholic Conference supports HB-434. We believe this legislation makes good sense for Montanans—for both individuals involved in estate planning and for the charitable recipients of the endowed gift.

With welfare reform high on the priority list both nationally and for our state, churches, other religious organizations, and charities are often seen as the institutions to fill the gaps. However, in order to fill the gaps created by the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996, giving to charities would have to more than double this year to make up for government cuts. This is only one area where charities are called upon to assist.

We urge the committee to support this effort to increase endowed giving in Montana. Thank you.

a program
Tel. (406) 442-5761 P.O. BOX 1708 530 N. EWING HELENA, MONTANA 59624
CARE & SHARE

MONTANA SENATE
1997 LEGISLATURE
TAXATION COMMITTEE

ROLL CALL DATE 3/20/97

NAME	PRESENT	ABSENT	EXCUSED
MACK COLE	✓		
BOB DE PRATU	✓		
DOROTHY ECK	✓		
BILL GLASER	✓		
MIKE SPRAGUE	✓		
BARRY "SPOOK" STANG	✓		
FRED VAN VALKENBURG	✓		
MIKE FOSTER, VICE CHAIRMAN	✓		
GERRY DEVLIN, CHAIRMAN	✓		

SEN:1997
wp.rollcall.man
CS-09

DATE 3/20/97

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 434, HB 63, HB 555

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Oppose
Vern Peterson	Cent. MT Foundation	434	✓	
BUD SCHOEN	MOTOR VEHICLE DIV	SB 63	NEUTRAL	
Vina Babcock	American Agri-Bus	555	✓	
Bob Stephens	Mt. Grain Growers	555	✓	
Bill Salisbury	Mt Dept of Transp	555		
WALT EASLEY	PUBLIC INT. "LEMON LAW"			
Alve Thomas	AARP	HB 63	✓	
Susan Talbot	Gov. Task Force on Endowed Philanthropy	HB 434		
Cheri Jensen	Gov. Task Force on EP	HB 434		
TOM HARRISON	MT Soc of CPAs	H-434	✓	
TOM HARRISON	MT Agri-Tech	H 555	—	
Clark Pyfer	Self - East Helena	HB 434	✓	
Steve Browning	MT Community Foundation	HB 434	✓	
CANDACE TORGESON	WIFE.	HB555	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

DATE 3/20/97

SENATE COMMITTEE ON Taxation

BILLS BEING HEARD TODAY: HB 434, HB 63, HB 535

< ■ > PLEASE PRINT < ■ >

Name	Representing	Bill No.	Check One: Support	Check One: Oppose
John E Will	Montana Co	HB 434	✓	
Don Judge	MT STATE AFL-CIO	HB 555	✓	
Mick Robinson	Gov't Office	HB 434		
John Youngberg	MT. Farm Bureau	HB 535	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

REGISTER.F10

MINUTES

MONTANA SENATE
55th LEGISLATURE - REGULAR SESSION

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on April 10, 1997, at 8:00 A.M., in Room 415.

ROLL CALL

Members Present:
Sen. Gerry Devlin, Chairman (R)
Sen. Mike Foster, Vice Chairman (R)
Sen. Mack Cole (R)
Sen. Bob DePratu (R)
Sen. Dorothy Eck (D)
Sen. Wm. E. "Bill" Glaser (R)
Sen. Mike Sprague (R)
Sen. Barry "Spook" Stang (D)
Sen. Fred R. Van Valkenburg (D)

Members Excused: None

Members Absent: None

Staff Present: Jeff Martin, Legislative Services Division
Renée Podell, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:
Hearing(s) & Date(s) Posted: HB 471
Executive Action: HB 599, HB 555, HB 601, HB 591
HB 536, HB 434, HB 471

HEARING ON HB 471

Sponsor: REP. KIM GILLAN, HD 11, Billings

Proponents: Dennis Burr, Montana Taxpayers Assoc.
David Owen, Montana Chamber of Commerce
Riley Johnson, National Federation of Business
John Shontz, Montana Assn. of Realtors
Jerry Driscoll, Small Business Owner
Gloria Paladichuk, Richland Economic Development of Richland County

Opponents: None

Vote: **THE MOTION CARRIED ON ROLL CALL VOTE - 7 to 2.**

EXECUTIVE ACTION ON HB 536

Motion: **SEN. VAN VALKENBURG MOVED HB 536 BE CONCURRED IN.**

Discussion:

SEN. VAN VALKENBURG related that the fiscal note is small. This is something for the middle-aged parents who are spending a lot in tuition. It is a way to legally provide support to people who are sending their children to private institutions.

Vote: **THE MOTION CARRIED UNANIMOUSLY.**

EXECUTIVE ACTION ON HB 434

Motion/Vote: **SEN. ECK MOVED HB 434 BE CONCURRED IN. THE MOTION CARRIED ON ROLL CALL VOTE - 7 to 1.**

EXECUTIVE ACTION ON HB 471

Motion: **SEN. DE PRATU MOVED HB 471 BE CONCURRED IN.**

Discussion:

SEN. FOSTER reluctantly opposed the bill. This is a different approach which is worth exploring. He is not ready for it at this time.

SEN. STANG remarked this is one of the best property tax relief ideas for small business since he has been in the legislation. The reduction from 12% to 9% and 9% to 6% didn't do a lot for small businesses.

Amendments: hb047102.agp - **EXHIBIT 2**

Motion: **SEN. STANG MOVED HB 471 BE AMENDED.**

SEN. STANG explained this amendment would make it contingent on a General Fund balance of over $25 million at the end of year.

SEN. GLASER commented that the $25 million amount is too low.

Substitute Motion: **SEN. GLASER MOVED TO AMEND HB 471 WHICH WOULD CHANGE $25 MILLION TO $35 MILLION.**

SEN. VAN VALKENBURG claimed that the amendment dealt with the ending fund balance at the end of this fiscal year, two months from now. This does not deal with the ending fund balance at the end of the next biennium. This number is a fixed amount. This is the beginning fund balance for the next biennium.

HOUSE BILL NO. 434

INTRODUCED BY HIBBARD, MARSHALL, GRIMES, FELAND, THOMAS, ROSE, HAGENER, SOFT, FOSTER, R. JOHNSON, M. HANSON, BEAUDRY, SPRAGUE, OHS, ECK, MOOD, CHRISTIAENS, MENAHAN, WATERMAN, WALTERS, SMITH, HERTEL, ANDERSON, BOHLINGER, HARRINGTON, REAM, MAHLUM, HAYNE, HOLLAND, HEAVY RUNNER, JENKINS, MCCULLOCH, LAWSON, SANDS, AHNER, GROSFIELD, SWANSON, CLARK, MASOLO, ZOOK, J. JOHNSON, HARGROVE, HARPER, PAVLOVICH, SHEA, DOWELL, BOOKOUT, PECK, KITZENBERG, BROOKE, RANEY, ELLINGSON, KOTTEL, KNOX, SIMPSON, SQUIRES, QUILICI, BECK, HALLIGAN, WILSON, BURNETT, DENNY, DEVANEY, KRENZLER, GRADY, MCGEE, CURTISS, STOVALL, STANG, BISHOP, BENEDICT, RYAN, BITNEY, CAREY, ELLIS, BAER, MILLS, LYNCH, TASH, SLITER, SIMON, VAN VALKENBURG, FRANKLIN, MCCARTHY, MOHL, WISEMAN, TAYLOR

A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING A TAX CREDIT FOR PLANNED GIFTS BY INDIVIDUALS AND OTHER GIFTS BY CORPORATIONS AND ESTATES MADE TO QUALIFIED CHARITABLE ENDOWMENT FUNDS; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE, A RETROACTIVE APPLICABILITY DATE, AND A TERMINATION DATE."

WHEREAS, charitable endowments are permanent savings accounts, the income from which is perpetually committed to charitable purposes; and

WHEREAS, Montana-based charitable endowments can grow over time to become significant resources capable of funding many unanticipated and unmet needs of, and creating new opportunities for, Montana's citizens and their communities; and

WHEREAS, Montana's relatively weak tradition of endowed philanthropy can be demonstrated by comparing our state with the other 49 states, in that Montana ranks 44th in population and 41st in per capita income, but ranks 48th in foundation assets and 49th in foundation giving; and

WHEREAS, a planned gift is a type of charitable contribution that has the following three characteristics: first, it is composed typically of assets saved over the contributor's lifetime; second, it is conferred in connection with a carefully considered estate plan; and third, it transfers assets of the contributor to a charity prior to the contributor's death; and

WHEREAS, although planned gifts would appear to offer genuine financial potential for creating and

expanding charitable endowments in Montana, in reality, planned gifts are so infrequently contributed in Montana that endowments in our state are not growing as fast as they are in other states; and

WHEREAS, planned gifts might be used more in funding charitable endowments in Montana if contributors could offset a significant portion of their gifts against their Montana income tax liabilities; and

WHEREAS, over the long term, income distributed from endowments can help achieve community goals and objectives when current funding from state and local government budgets may be limited; and

WHEREAS, local charitable endowments currently exist in almost every Montana community, and the existence of these widespread endowments offers everyone in Montana an opportunity to contribute endowed funding for their local communities; and

WHEREAS, community-based endowments in Montana have long-term potential to benefit all Montana communities by developing creative solutions to help individual communities meet growing needs and by helping these communities find transitions to self-sufficiency; and

WHEREAS, earnings from charitable endowments in Montana are distributed by volunteer boards of diverse community leaders to meet emerging community needs in such areas as education, arts and culture, social services, economic development, and health and the environment; and

WHEREAS, government cannot meet, nor should it be expected to meet, all of the needs of the state's communities because of its limited financial resources and because each community is in a better position to determine its own existing and future needs and opportunities; and

WHEREAS, tax credits provide financial incentives that encourage contributions for the establishment or expansion of charitable endowments in Montana; and

WHEREAS, the Legislature limits the tax credit created by [this act] to qualified permanent endowments held by tax-exempt organizations or by banks or trust companies on behalf of tax-exempt organizations; and

WHEREAS, for the purpose of renewing the tax credit created by [this act], it is the intent of the 55th Legislature that the state's cost of administering the tax credit may not exceed 5% of the total annual credits claimed.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Qualified endowments credit -- definitions.** For the purposes of [section

2], the following definitions apply:

(1) "Planned gift" means an irrevocable contribution to a permanent endowment held by a tax-exempt organization, ~~or~~, for a tax-exempt organization, when the contribution uses any of the following techniques that are authorized under the Internal Revenue Code:

(a) charitable remainder unitrusts, as defined by 26 U.S.C. 664;

(b) charitable remainder annuity trusts, as defined by 26 U.S.C. 664;

(c) pooled income fund trusts, as defined by 26 U.S.C. 642(c)(5);

(d) charitable lead unitrusts, qualifying under 26 U.S.C. 170(f)(2)(B);

(e) charitable lead annuity trusts, qualifying under 26 U.S.C. 170(f)(2)(B);

(f) charitable gift annuities, undertaken pursuant to 26 U.S.C. 1011(b);

(g) deferred charitable gift annuities, undertaken pursuant to 26 U.S.C. 1011(b);

(h) charitable life estate agreements, qualifying under 26 U.S.C. 170(f)(3)(B);

(i) paid-up life insurance policies, meeting the requirements of 26 U.S.C. 170.

(2) "Qualified endowment" means a permanent, irrevocable fund that is held by ~~an~~ A MONTANA INCORPORATED OR ESTABLISHED organization that:

(a) ~~(i)~~ is a tax-exempt organization under 26 U.S.C. 501(c)(3); or

~~(ii)~~(B) is a bank or trust company, as defined in Title 32, chapter 1, part 1, that is holding the fund on behalf of a tax-exempt organization~~; and~~

~~(b) manages the principal, revenue, and disbursements of the endowment in a manner that guards against erosion by meeting the prudent investor rule~~.

NEW SECTION. **Section 2. Credit for contributions to qualified endowment.** (1) A taxpayer is allowed a tax credit against the taxes imposed by 15-30-103 or 15-31-101 in an amount equal to 50% of the present value of the aggregate amount of the CHARITABLE gift portion of a planned gift made by the taxpayer during the year to any qualified endowment ~~fund~~. The maximum credit that MAY be claimed by a taxpayer for contributions made from all sources in a year is $10,000. The credit allowed under this section may not exceed the taxpayer's income tax liability.

(2) The credit allowed under this section may not be claimed by an individual taxpayer if the taxpayer has included the FULL AMOUNT OF THE contribution UPON WHICH THE AMOUNT OF THE CREDIT WAS COMPUTED as a deduction under 15-30-121(1) or 15-30-136(2).

(3) There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

NEW SECTION. **Section 3. Credit for contribution by corporations to qualified endowment.** A corporation is allowed a credit IN AN AMOUNT EQUAL TO 50% OF A CHARITABLE GIFT against the taxes otherwise due under 15-31-101 for charitable contributions made to a qualified endowment, as defined in [section 1]. ~~The credit must be in accordance with the provisions of [section 2].~~ The maximum credit that may be claimed by a corporation for contributions made from all sources in a year under this section is $10,000. The credit allowed under this section may not exceed the corporate taxpayer's income tax liability. THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE CLAIMED BY A CORPORATION IF THE TAXPAYER HAS INCLUDED THE FULL AMOUNT OF THE CONTRIBUTION UPON WHICH THE AMOUNT OF THE CREDIT WAS COMPUTED AS A DEDUCTION UNDER 15-31-114. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

NEW SECTION. **Section 4. Small business corporation, partnership, and limited liability company credit for contribution to qualified endowment.** A contribution to a qualified endowment, as defined in [section 1], by a small business corporation, as defined in 15-31-201, a partnership, or a limited liability company, as defined in 35-8-102, qualifies for the credit provided in [section ~~2~~ 3]. The credit must be attributed to shareholders, partners, or members or managers of a limited liability company in the same proportion used to report the corporation's, partnership's, or limited liability company's income or loss for Montana income tax purposes. The maximum credit that a shareholder of a small business corporation, a partner of a partnership, or a member or manager of a limited liability company may claim in a year is $10,000, subject to the limitations in [section 2(2)]. The credit allowed under this section may not exceed the taxpayer's income tax liability. There is no carryback or carryforward of the credit permitted under this section, and the credit must be applied to the tax year in which the contribution is made.

NEW SECTION. **Section 5. Beneficiaries of estates -- credit for contribution to qualified endowment.** A contribution to a ~~general endowment fund of a~~ qualified endowment, as defined in [section 1], by an estate qualifies for the credit provided in [section 2] IF THE CONTRIBUTION IS A PLANNED GIFT

OR IN [SECTION 3] IF THE CONTRIBUTION IS AN OUTRIGHT GIFT TO A QUALIFIED ENDOWMENT. Any credit not used by the estate may be attributed to each beneficiary of the estate in the same proportion used to report the beneficiary's income from the estate for Montana income tax purposes. The maximum amount of credit that a beneficiary may claim is $10,000, subject to the limitation in [section 2(2)], and the credit must be claimed in the year in which the contribution is made. The credit may not be carried forward or carried back.

NEW SECTION. **Section 6. Report on income tax credit to committee.** The department shall report to the revenue oversight committee at least once each year the number and type of taxpayers claiming the credit under [section 2], the total amount of the credit claimed, and the department's cost associated with administering the credit.

NEW SECTION. **Section 7. Codification instruction.** (1) [Sections 1, 2, and 5] are intended to be codified as an integral part of Title 15, chapter 30, and the provisions of Title 15, chapter 30, apply to [sections 1, 2, and 5].

(2) [Sections 3 and 4] are intended to be codified as an integral part of Title 15, chapter 31, and the provisions of Title 15, chapter 31, apply to [sections 3 and 4].

(3) [Section 6] is intended to be codified as an integral part of Title 15, chapter 1, part 2, and the provisions of Title 15, chapter 1, part 2, apply to [section 6].

NEW SECTION. **Section 8. Effective date -- retroactive applicability.** [This act] is effective on passage and approval and applies retroactively, within the meaning of 1-2-109, to tax years beginning after December 31, 1996.

NEW SECTION. **Section 9. Termination.** [This act] terminates December 31, 2001.

-END-